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Discount Corp. Of N. Y. Elects Mills, Repp

Celebrating 25th Year

The Board of Directors of the Discount Corporation of New York have elected Dudley H. Mills Chairman of the Board and Herbert N. Repp President.

Dudley H. Mills

Mr. Mills has been a Director of the Discount Corporation for 14 years and President for 10 years. Mr. Repp, who joined the company 21 years ago, has been a director for seven years and a Vice-President for eight years.

The Discount Corporation of New York is now celebrating its 25th anniversary, having begun business at the end of the last war,

(Continued on page 526)

In This Issue

PENNSYLVANIA SECURITIES section containing information and comment pertinent to dealer activities in that State starts on page 506.

For index see page 528.

"Are We To Foresake Our Traditional System Of Free Enterprise And Adopt A System Of Regimentation And Bureaucracy?"

By Hon. FRED L. CRAWFORD,*
Representative in Congress from Michigan

Holds That Surrender Of Individual Rights And Freedom For Social Security Will Inevitably Result In Loss Of Security And Enslavement Of People To State—Maintains That Production, Not Government Largesse, Is Real Key To Buying Power And Workers' Wealth And That Freedom From Want Can Only Be Attained Through Employment Provided By Industry

I feel peculiarly at home in this gathering which is representative of the party of your very able and very popular Governor, Thomas E. Dewey. I have the honor to represent in the Congress of the United States the Congressional district in which he was born. I know many of his playmates when a boy who have followed his career with great interest and pride. I have frequently talked with his good Mother. No other family in my district is more respected than his. His father was editor of what is now known as the Owosso Argus. He often entertained at his home the Republican leaders of the State of Michigan. His grandfather was one of the founders at Jackson, Michigan in 1854, of the great Republican Party which shortly

F. L. Crawford

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*Remarks of Congressman Crawford at Non-partisan Discussions Forum at National Republican Club, New York City, on Jan. 29.

(Continued on page 525)

By Hon. ALBERT W. HAWKES,*
U. S. Senator from New Jersey

Sees Liberty Of People Endangered By Unintentional Acceptance Of System Of Regimentation And Bureaucracy Which Makes It Impossible For Free Enterprise And Individual Freedom To Survive—Warns Against Endowing Government With Uncontrolled Powers And Declares That New Deal Philosophy Of Government Has Fooled People Into Surrendering Basic Responsibilities

I have been asked to discuss the question, "Are We to Foresake Our Traditional System of Free Enterprise and Adopt a System of Regimentation and Bureaucracy?"

Before we attempt to analyze what American free enterprise is, or deal specifically with the problems of regimentation and bureaucracy, I wish to state that in my opinion the American people will not intentially destroy the free enterprise system, but that unintentionally they can become engulfed in and shackled by a system of regimentation and bureaucracy which

Sen. A. W. Hawkes

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*Remarks of Senator Hawkes at Non-partisan Discussions Forum at National Republican Club, New York City, on Jan. 29.

(Continued on page 526)

Will Deposits Decline?

By DR. MELCHIOR PALYI

In the 15 months from the middle of 1942 to the end of October, 1943, total deposits of member banks (not including items in process of collection) have risen by $31,563,194,000. This is, of course, the converse side of the growing volume of U. S. bonds in bank portfolios, which is mainly responsible for the $31.3 billions expansion of total loans and investments of the member banks in the same period. For all banks, and for the entire war period, the bank credit inflation amounts to approximately $45 billions—some $70 billions for the eleven years of the New Deal — raising the total volume of deposits to about $110 billions.

What goes up comes down, says the old adage. Bankers and the public are asking themselves what will happen if and when the priming of the money pump stops. There seems to be general inclination to expect a substantial decline of the deposit volume after the war, without many questions asked as to how that would be brought about.

Dr. Melchior Palyi

A deflation of deposits is not a matter of automatic reaction to its previous inflation. It can be brought about only by one of two procedures: either indirectly, by deflating the bank assets—their voluntary or forced repayment; or directly, by the public's demand to convert into cash its balances held at the banks.

There are no major channels but these two, through which the

(Continued on page 509)

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Some Thoughts On Post-War Banking

By LIONEL D. EDIE*

Dr. Edie Expresses Grave Doubt That Government Is Going To Be Willing To Pay Higher Interest Rates To Commercial Banks On Government Securities — Says Payment of $1,200,000,000 Interest Per Year To Banks After War Will Serve As A Balance Wheel On Earnings—Sees 2% Bonds of 8- to 10-Year Maturity Selling At Par Or Above In 1947.

All wars bring revolutionary changes in banking.

The Civil War was significant for inaugurating the national banking system. World War I was significant for broadening and developing the Federal Reserve System.

World War II will be significant for introducing huge portfolios of Government bonds in bank assets and for initiating the principle of Government guarantee of private bank credit through the so-called V and VT loans.

Lionel D. Edie

Will these two contributions made by the present war be permanent? There is every reason to suppose that the huge Government portfolios will remain in the banks for a long time to come. There is, however, uncertainty about the future of guaranteed credit. On Oct. 31, 1943, there were about $1,800,000,000 of such credits actually taken up and $2,600,000,000 in lines of credit additionally available.

Whether the principle of guaranteed credit is retained in peacetime is largely a question for the banks themselves to decide.

If the guarantee is carried over into peace-time, private banking will gradually deteriorate and the spirit of free enterprise will go the way of all flesh. The hand of Government will fall with par-

(Continued on page 508)

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*An address delivered by Dr. Edie before the Mid-Winter Meeting New York State Bankers Association, Federal Reserve Bank of New York, New York City on Jan. 17, 1944.

F. I. duPont & Co. Inaugurates New Dept.

Francis I. duPont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announces today that their services to investors and institutions have been extended to include an Investment Supervisory Service, which will be under the supervision of Anthony Gaubis, formerly Vice President and Secretary of Investment Counsel, Inc., Detroit. The new service, which will be conducted as a separate department, will be available on an annual fee basis.

Mr. Gaubis, who has specialized in studies of stock selection methods and stock market cycles, is a graduate of the University of Michigan, where he majored in economics. Prior to joining Investment Counsel, Inc., in 1934, he was with Irving Investors Management Company from the time it was formed by the Irving Trust Company in 1929, and during his last three years with that company served as vice president and secretary.

He was on the staff of The Economist of the American Telephone and Telegraph Company from 1924 to 1927.

Boettcher & Co. To Be NYSE Members

DENVER, COLO. — Boettcher and Company, 828 Seventeenth Street, will become members of the New York Stock Exchange on Feb. 10, when E. Warren Willard, a partner, acquires the Exchange membership of John T. Berdan.

Partners in Boettcher and Company are: Claude K. Boettcher, James Q. Newton, E. Warren Willard, J. Fred Brown, J. Franklin Bickmore, and David F. Lawrence.

Wm. C. Speers Joins Amott, Baker & Co.

William C. Speers who recently completed 25 years as an active broker with Brown, Wheelock, Harris, Stevens, Inc., is now associated with Amott, Baker & Co., 150 Broadway, New York City, where he will specialize in stocks and bonds secured by New York City real estate.

Blair Adds MacFadden In Municipal Dept.

Blair & Co., Inc., 44 Wall Street, New York City, announces that Donald S. MacFadden is now associated with them in their municipal bond department. Mr. MacFadden was formerly with Goldman, Sachs & Co. and more recently with the War Department in Washington, D. C.

Harris Elected Trustee

At a meeting of the trustees of the United States Trust Company of New York, Basil Harris, President of United States Lines Company, was elected a Trustee.

Basil Harris

Interesting Situation

Steady and substantial growth in earnings of the "Utility Group" have increased the speculative attraction of both the Prior Lien and Plain Preferred stocks of New England Public Service Company according to a detailed circular on the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

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NASD Profit Limitation Rule Would Close Capital Markets To Small Business

In the "Chronicle" of January 30th we carried an article bearing the caption "Right Is Might" in which we stressed the high handed manner in which the Governors of the National Association of Securities Dealers, Inc., foisted a 5% gross mark-up limitation rule on the members of this quasi-governmental organization contrary to its by-laws and the provisions of the Maloney Act.

In this article we will dwell on not only the stifling effect the rule will have on the small independent dealers in securities but also the tendency it will have as time goes on to close the doors of our capital markets to small business and thereby stimulate monopoly right down the line.

With this in mind it is necessary to again refer to the letter of Oct. 25, 1943 advising the members of the 5% decree. Therein reference was made to the fact that a questionaire[1] had previously been sent to all members requesting that they indicate therein certain particulars which would reflect the gross mark-ups they had taken on fifty consecutive principal transactions during the previous six months—not all tranactions but only fifty it is well to bear in mind.

The letter then goes on to say that the Board has completed its study of the questionnaires (answered by only 82% of the membership) and discovered that 47% of the transactions reported in the questionnaires were effected at a gross spread or mark-up of not over 3%, and 71% at not over 5%.

It is easy to observe that 18% of the members failed to return the questionnaire but further examination reveals what is not so apparent, namely, that in the case of 29% of the tranactions stipulated it was found necessary to go in for mark-ups of more than 5%.

Despite this fact, the Oct. 25, 1943, letter informs all members that District Business Conduct Committees have been instructed to determine whether a dealer has consummated a transaction with a customer at a price not reasonably related to the current market price of the security by having in mind the fact that 71% of the reported transactions were effected at a gross mark-up of not more than 5%. This letter then added, "In the case of certain low price securities, such as those selling below $10, a somewhat higher percentage may sometimes be justified. On the other hand, 5% or even a lower rate is by no means always justified."

While the membership as a whole took this to mean that they would be obliged to refrain from going in for mark-ups of more than 5% for fear of violating the rule, some ques-

(Continued on page 522)

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Outlook For The Oil Industry

By HAROLD J. WASSON*

Petroleum Consultant Sees Germany On Hand-To-Mouth Basis So Far As Oil Goes And Wide Disparity In Motor Fuel Potential In Favor Of Our Side Precludes Nazis Standing Up Indefinitely—Declares We Are A Long Way From Running Out Of Oil In This Country But Passing Of Era Of Superabundance May Mean Long-Term Price Trend Is Upward—Looks For Earnings Of Industry As In 1944 To Be Somewhat Better Than In 1943

At this time all of our outlooks concerning the future economic health of any industry are contingent on our outlook with respect to the war. In no direction do the two outlooks merge together so closely as they do when we are thinking about oil.

The war angle of oil is not a new story, but it has such a vital bearing on the validity of all our other economic outlooks at this particular juncture in world history that it bears retelling. As a matter of fact, this war phase is the one segment of the oil outlook horizon that to me, at least, is most clearly defined.

Harold J. Wasson

The oil industry is doing a great job—a monumental job — in helping us to prevail over our enemies. That, I assume, we all know. However, there are some aspects of the close relationship between oil and war that may not, I believe, be so fully appreciated.

Oil itself, that is, liquid fuel that we get from oil, is the one vital and indispensable element of combat striking power that we possess and can expend on the battlefield in vastly greater quantity than our enemies.

This ability of ours to expend unlimited amounts of oil ammunition, so to speak, against an enemy who is severely limited in his supply of this highly important ammunition, constitutes for our side a very great military advantage.

We commonly refer to the present conflict as a mechanical war, and there has been a tendency in certain quarters at least to attempt to measure military force by counting the planes, tanks,

(Continued on page 517)

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*An address delivered by Mr. Wasson, a petroleum consultant of this city, at a meeting of the Association of Customers' Brokers on Jan. 25, 1944, held in the Board of Governors' Room of the New York Stock Exchange.

Bankers Trust Co. On Money Market Outlook For 1944

The Bankers Trust Company of New York has issued a pamphlet giving a review of 1943 and its outlook for 1944, for United States Government securities and the money market.

With respect to the outlook for the current year, the survey says:

Outlook for 1944

If the year 1944 witnesses a decline in war production, there will no doubt be a down-turn in government expenditures and deficit financing, and a slower rate of increase in bank deposits and currency in circulation. The extent of these changes will depend upon the course of the war. General Eisenhower has stated his positive belief that Germany will be defeated in 1944. When the European war ends, there will probably be a substantial reduction in government expenditures and in Treasury borrowing. It is estimated that our war expenditures might decline 50% within a year after Germany is defeated, even though the Pacific war continues.

Continuing, the survey has the following to say:

Treasury Borrowing — If the

(Continued on page 524)

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Industry Must Consider World Needs In Post-War Period: Keller

President Of Chrysler Corp. Also Urges Business To Cooperate With Government In Formulating Peace-Time Policies And Stresses Importance Of Approaching Problems With Common Interests Of All In Mind

While declaring that "I have always believed in preparedness for war," K. T. Keller, President of the Chrysler Corp., further declared on Jan. 28, "I believe in preparedness for peace. I believe the best preparedness for peace is to concentrate on winning the war—quickly and decisively. If we can shorten the war by as little as one month, it will mean more to the country than any peace-time plan you can work up now." These remarks were contained in a speech delivered by Mr. Keller at the Economic Club of Chicago, in which he further said:

K. T. Keller

"War is grim business. You cannot win it by working at it today and doing something else tomorrow. Our fighting forces, and the service forces and industrial forces supporting them, are doing a magnificent job, but unless there is internal collapse in the enemy countries—and the evidence we have thus far gives little comfort on that score—we have a long, hard way to the victory that surely lies ahead of us.

"The United Nations are right now in the midst of preparations for the biggest land invasion in the history of the world. And in the Pacific we are still on the outer perimeter of Japanese defenses. Perhaps some of you may have seen a motion picture recently completed by the Army which gives some idea of the strength of our enemies and what it will take to beat them. Per-

(Continued on page 518)

Emergency Board Judgments In Rail Disputes Should Be Final During War Period

The failure of the present legislative machinery to effect satisfactory results in mediation efforts in disputes between the railroads and their workers prompts the suggestion by Judge Robert V Fletcher, Vice-President and General Counsel of the Association of American Railroads, that "if the railroads are to be governed in the matter of wage disputes solely by the procedure of the Railway Labor Act, at least for the war's duration, the judgments of the fact-finding board should be final, conclusive and binding on all the parties." "As the law stands now," says Mr. Fletcher, "either party is privileged to ignore the judgments of the Emergency Board." "It seems to me," he adds, that in time of war, when sacrifice is the watchword of the nation, the legislative body may well provide that the decisions of the arbitral body shall have the force of compulsion."

R. V. Fletcher

Mr. Fletcher's remarks were addressed to members of the Economic Club of New York at a dinner on Jan. 26 attended by its members and guests, at which other speakers were David B. Robertson, President of the Brotherhood of Locomotive Firemen and Enginemen, Joseph B. Eastman, Director of the Office of Defense Transportation, and John J. Pelley, President of the Association of American Railroads.

Before outlining his views, Vice-President Fletcher took occasion to state:

"What I shall say represents my own views and mine alone. I do not, this evening, speak as the organ of the industry or in any representative capacity. I have purposely refrained from consult-

(Continued on page 520)

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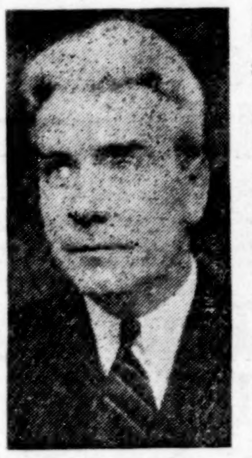
NSTA Sets Feb. 7 For All Out War Bond Sale

The National Security Traders Association and affiliated groups, representing 2,200 members in 23 of the larger financial centers of the country, have set Feb. 7 as their special day for war bond sales, according to John E. Sullivan Jr., of F. L. Putnam & Co., Boston, chairman of the Association's War Bond Committee. This is in connection with, and supplementary to, the general drive the investment dealer and broker fraternity as a whole is making to insure success of the Fourth War Loan.


John Sullivan

This fraternity of stock and bond men, whose profession deals with the public year in and year out in the marketing of securities, are very proud of their contribution of 400 members to active military service of their country, and indicate a determination to fully support their brothers-in-arms in this department of war work that they know best, Mr. Sullivan said.

"We are enlisting every member of the NSTA who are associated with approximately 1,100 firms in this effort to spread on the record our wholehearted cooperation with the fighting forces. While a continued effort throughout the drive will be maintained by our membership, it is our belief that to crystallize the work of our fraternity in a final day of effort devoted 100% to the sale of war bonds, will score us high percentagewise in this great national drive. I believe the entire investment group are organized as never before to contribute handsomely to this work."

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first ten articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

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Norton Is V.-P. Of Remer, Mitchell Co.

CHICAGO, ILL. — Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, announce the election of Laurence H. Norton as Vice-President in charge of their Lumber and Timber Securities Division, effective as of Feb. 1, 1944. Mr. Norton has been associated with the company in their trading department for the past ten years.

Tomorrow's Markets Walter Whyte Says—

News uncertainties currently reflected in market action. Offerings coming down to bids in many cases. Further irregularities and dullness looked for.

By WALTER WHYTE

During the last six market days prices have again displayed an inability, or refusal, to go through the offerings. And here and there certain stocks began eating into the bid figures in a disturbing fashion. But to offset this appearance of danger other stocks maintained themselves either at last week's levels and in some cases improving on them.

* * *

From a forecasting viewpoint, such action as mentioned above is almost meaningless. Or if it has meaning it indicates one of two things: First, individual stock action contrary to the market; second, a continuance of irregularity superimposed on dullness. Offhand it looks as if the market were waiting for some development, some news, to occur; a something that would either drive it away from present levels or push it through. What that is I don't know. For example, I don't believe the forthcoming invasion of Europe will play an important part in the stock picture. As a matter of fact, anything which has been widely discussed seldom has any bearing on the market trend.

* * *

Naturally, with a war on our hands surprises are usual rather than the other way around. And surprises is one thing that the market cannot guard itself against. The only insurance against being caught by such surprise is, so far as it's practicable, to either recognize stops and use them for all they're worth, or get out of long positions until the air has cleared. If the latter plan is followed there is no point in talking about trends, danger points, or anything else having to do with the market. If the former, and I assume it is the former you are concerned with, then the recognition of certain support levels is almost a necessity.

* * *

The theory on which these support levels is based presupposes that the market reflects all the best knowledge about the business of the industries whose securities are traded on the Exchange. In a large way this is true. For anybody who buys or sells a share of stock is saying in effect that he knows something

(Continued on page 525)

Greatest Fight Ahead—That Against Possible Totalitarian State In U. S.—Robertson

Brotherhood Head Would Combat Increasing Bureaucracy—Sees Rationing, Draft and Governmental International Management of Money Leading to Insolvency Of American Economy—Comments On UNRRA

Declaiming against bureaucracy at Washington and the drift toward a totalitarian State, David B. Robertson, President of the Brotherhood of Locomotive Firemen and Enginemen, told members of the Economic Club of New York at their dinner on Jan. 26 that "disillusioning experience of the recent past in our relation to increasing bureaucracy at Washington has convinced me that many of us perhaps should change the shopworn expression of 'coupon clippers' to that of 'opportunity clippers' as applied to some of those who apparently command the Government trends in our Capital City."

David B. Robertson

"I see this more clearly today than ever before," said Mr. Robertson, who went on to say that "we must change the drift toward the very thing against which we are fighting this horrible war." "Of course," Mr. Robertson averred, "we must and will be victorious against the Axis, but possibly the greater fight we will have ahead is against a drift toward an absolute or totalitarian State in America. We must break up this drift or our fighting abroad will be of no avail." Continuing, Mr. Robertson said:

"While I would favor the greatest possible cooperation between the nations of the world in assisting each of them to help itself, I am primarily desirous of further substantiating and increasing and widening the American standard of living. We are all feeling the impact of taxation and Government finance requirements. Of course, we will continue freely to sacrifice in every possible way to win a complete victory in this great war. However, a time will come when a halt must be called to prodigious and unwise spending of taxpayers' and workmen's earnings which will increase the power and expense of bureaucracy and destroy American living standards. Otherwise, I cannot see where my members, at least, will be able to take home to their families adequate pay envelopes to maintain proper home conditions.

"A few months ago, in an address at Cincinnati, I described data which was the result of lengthy research, supporting pa-

(Continued on page 527)

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National Public Relations Men Elect Mayer President

Raymond C. Mayer, of New York City, has been elected President of the National Association of Public Relations Counsel, Inc. This announcement was made on Tuesday, Feb. 1 by the board of directors, following the annual meeting held last night at the Hotel Lexington.

Mr. Mayer, who is well-known in the industrial, engineering and social work public relations fields, succeeds William H. Baldwin. Mr. Mayer has been a member of the National Public Relations Advisory Committee of the Girl Scouts for many years and is also public relations chairman of the National Noise Abatement Council.

Raymond C. Mayer

Samuel D. Fuson, Vice-President of Arthur Kudner, Inc., New York, was elected First Vice-President.

Other officers named were: Second Vice-President, Henry W. von Morpurgo, of the W. A. Bechtel Co., San Francisco, Calif.; Third Vice-President, Daniel C. McCarthy, of the Firestone Tire & Rubber Co., Akron, Ohio; Secretary, A. Schaeffer, Jr., American Society for the Control of Cancer, New York, and Treasurer, Paul Haase, Controllers Institute of America, New York City.

New directors elected were: George P. Oslin, of New York, Western Union Telegraph Co.; Charles N. Fry, of New York, Westinghouse Electric & Manufacturing Co.; K. E. Cook, of New York, Standard Oil Co. of N. J.; Weston Smith, of New York, Guenther Publishing Corp., and Frank J. Price, Jr., of the Prudential Life Insurance Co. of Newark, N. J.

Monetary Economist Sees Need For Joint Currency Action By Principal Nations

From a study of the inter-war experience, Dr. John Parke Young, monetary economist now engaged in post-war economic planning for the State Department, concludes that the world's currencies, particularly the major systems, are so interdependent that without coordination, or at least intergovernmental collaboration, economic difficulties of increasing severity appear likely in the post-war era.

Emphasizing the need for joint action in the field of currency, Dr. Young holds the opinion that the course of economic affairs probably would have run more smoothly had there been in existence following World War I machinery for such collaboration. Dr. Young's views are expressed in a paper published on Jan. 30 by the Monetary Standards Inquiry which is studying post-war monetary problems under the direction of Herbert M. Bratter. The advices made available by the Monetary Standards Inquiry states:

"From the standpoint of conditions in European countries, the economic disintegration and distress during the post-war period was more severe than during the war itself, Dr. Young believes, and he expresses the hope that currency history will not repeat itself.

"The world is now in a position similar in many respects to that of 25 years ago, he says, but there is an important difference. In contrast to the earlier policy of letting events largely take their course, today governments are engaged in studies designed not only to restore, but to improve, the world's currency structure by coordinating national systems in the light of their close international relationships.

"The need for joint currency action by the principal nations of the world is delineated by Dr. Young as the first of seven lessons of the inter-war period.

"The others enumerated are:

"(2) The need of Europe after the armistice for capital for restocking, rehabilitation and reconstruction and with the lack of adequate facilities for supplying necessary funds in sufficient amounts. Disturbed conditions were greatly aggravated by this deficiency.

"(3) The lack of control of exchange rates during transitional period following the armistice. Events during four or five years immediately following war revealed evils of permitting exchange rates to fluctuate at will. Wild gyrations of rates produced chaotic condition which retarded reconstruction and revival of trade and production.

"(4) Unless an exchange rate is one which reflects approximate equilibrium between a country's total foreign payments and receipts and is in reasonable harmony with world price relationships, it cannot be maintained indefinitely and efforts to maintain unrepresentative rates are the source of difficulties.

"(5) Short term capital movements, if uncontrolled, may become so great as to cause a breakdown of exchange rates. 'Hot money' movements were a constant source of difficulty during much of the inter-war period and affected nearly all currencies.

"(6) Currency and exchange developments are closely related to the general level of employment, production and prosperity, and without reasonabl stable and satisfactory currency and exchange conditions in the few major countries, a healthy and sustained level of economic activity and trade throughout the world is unlikely.

"(7) The nationalistic and restrictive commercial policies pursued by much of the world throughout this period. Basic to currency stability and healthy exchange relationships are commercial policies which permit the relatively free movement of goods and service throughout the world on a broad multilateral basis."

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Thomas Hickey Heads Bond Brokers Ass'n

Thomas J. Hickey, of Vilas & Hickey, has been elected President of the Association of Bond Brokers of the New York Stock Exchange. W. Stuart Bernard, of Bernard, Winkler & Co., was elected Vice-President, and Roland L. deHaan, of Mabon & Co., was elected Secretary and Treasurer.

Elected members of the Association's board of governors were: Sydney P. Bradshaw, Clark, Dodge & Co.; James H. Carson, Salomon Bros. & Hutzler; Robert D. Danks, Ernst & Co.; Sylvester P. Larkin, Pflugfelder, Bampton & Rust; Howard J. Nammack, Struthers & Dean; Arthur M. Nelson, Cowen & Co.; Kenneth A. Roome, Hardy & Co.; Walter F. Seeholzer, W. S. Sagar & Co., and John Wasserman, Asiel & Co.

The Association also elected a nominating committee for 1944, consisting of Allen A. Pierce, Merrill Lynch, Pierce, Fenner & Beane; Benjamin E. Bampton, Pflugfelder, Bampton & Rust; Samuel L. Hornstein, C. M. Loeb, Rhoades & Co.; George K. Garvin, Garvin Bantel & Co., and Alexander R. Piper, Jr., Paine, Webber, Jackson & Curtis.

Realty Issues Interesting

Hill, Thompson & Co., Inc., 120 Broadway, New York City, have in preparation an interesting memorandum discussing the current situation in U. S. Realty and Improvement 6s and Fuller Building 6s. Copies of this memorandm may be had from the firm upon request.

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Public Utility Securities

Engineers Public Service

There has been renewed interest recently in Engineers Public Service because of that company's strategic move in planning to acquire Virginia Public Service common stock from General Gas & Electric (Associated Gas & Electric system) for $1,000,000 cash. Several months ago General Gas, conforming to the mandatory selling order received from the SEC, had planned to dispose of the stock for a nominal amount, while the company was ordered to recapitalize on the basis of a formula apparently unsatisfactory to Associated Gas interests. The last minute proposal for merger with the neighboring company, Virginia Electric & Power in the Engineers system, appeared to be a happy solution for all concerned.

Merger of the two companies is a logical development, though in view of some past quibbling by the SEC over the question of size, the proposal enjoyed unusually smooth sailing. The pro forma income statement for the 12 months ended Nov. 30, 1943, giving estimated effect to the merger plan and refinancing, compares as follows with the actual report of Virginia Electric & Power:

	Virginia Electric	Merged Co. Pro Forma
Operating revenues	$33,243,061	$48,069,569
Operating expenses	12,187,233	17,853,937
Maintenance	2,394,189	3,253,514
Depreciation	2,819,068	3,937,658
Plant amort.	------	1,054,808
Fed. income taxes	6,813,043	8,677,019
Other taxes	2,657,287	3,819,844
Net oper. revs.	$6,372,241	$9,472,789
Other income, net	49,350	64,610
Balance	$6,421,591	$9,537,399
Int. and amort.	1,901,450	2,768,015
Balance	$4,520,141	$6,769,384
Preferred dividend requirements	1,171,602	1,525,960
Balance	$3,348,539	$5,243,424
Surplus frozen	670,000	1,200,000
Balance for common dividends	$2,678,539	$4,043,424

Non-recurring operating expenses and tax savings derived from non-recurring deductions incident to the merger plan are not reflected in the above pro forma income statement. Federal income taxes of Virginia Electric would be reduced and the balance for common dividends increased by approximately $468,000 irrespective of the merger, giving effect to the additional consolidated tax benefit to Vepco arising principally from the sale by Engineers of its investment in common stock of Puget Sound Power & Light Company, not yet completed. The pro forma figures give effect to this saving and also to the tax saving resulting from accelerated amortization of war facilities. The pro forma balance after preferred dividends, $5,243,424, represents an increase over the present earnings of Virginia Electric of nearly $1,900,000. This increase, carried over into the consolidated system earnings of Engineers Public Service, would mean about $1 additional for that company's common stock.

In the 12 months ended November 30th, Engineers reported $1.67, which would increase to $2.67 if the merger works out as anticipated. The system is currently (before merger adjustments) paying out excess profits taxes of $10,266,745, equivalent to $5.38 a share on the common stock. Theoretically about half of this might be saved in the post-war period if the excess profits tax were repealed. Actually, however, such a gain would probably be offset by the loss of present boom business attributable to the war industries in the areas served, particularly Virginia.

The system's status with respect to dissolution remains somewhat unsettled, as the management and the SEC have not yet agreed on a plan and the company is apparently still pushing its court appeal over the constitutionality of the Act. The company won a legal round against the SEC recently when a Federal Court decided that it had had insufficient time to choose which property it would retain under the Utility Act (presumably a choice between Virginia Electric and Gulf States Utilities). The company already has some cash on hand from the sale of properties but thus far has been unable to develop a successful plan for reducing its outstanding preferred stock.

Shaskan & Co. Places Cgo.-Ipls. Rail Bonds

Shaskan & Co., 40 Exchange Place, New York City, member New York Stock Exchange, has distributed privately a block of $700,000 Chicago, Indianapolis and Louisville RR., first and general 5s and 6s due 1966.

Lehmann & Verace Admit

Benjamin R. Nichols has been admitted to partnership in Lehmann & Verace, 1 Wall St., New York City, members of the New York Curb Exchange.

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Business Must Lead In Post-War Planning Says Francis Of GF

Industry's greatest challenge in the post-war period is to help fashion an economy which will get into the hands of customers the largest possible amount of goods and services, and thus assure the highest possible employment, Clarence Francis, Chairman of General Foods Corp., told the St. Louis Chamber of Commerce last week.

"We in the business world have special responsibilities for taking leadership in long-range planning," he said. "For example, American industry, which has beaten all records in its efficiency in converting raw materials into finished goods, must step up its technology much further to reduce costs and thereby enable the public to buy more, and thus create jobs.

"Through larger volume of low-priced goods and services, business and its 15,000,000 investors must seek adequate return on capital—not by making a large profit on each item, and selling only a few, but on making a small profit on each item and selling a vast quantity. Under this principle everyone benefits—the consumer, the worker, the investor, and enterpriser."

Among post-war steps which Mr. Francis sees as essential in post-war planning are advances in scientific research, better human relations, the encouragement of small business enterprises, and nation-wide as well as localized preparations to absorb 10,000,000 returned service men and women in gainful employment.

According to Mr. Francis, each business man needs to plan to have useful work for former workers who left to fight for his country, and for present employees who wish to continue at work. Each community must see what it can do collectively. Job-creating programs can be carried out by business associations, and at the same time there should be government plans to take up the slack.

Mr. Francis added that, in addition to the Government's sound disposition of the war industries, there is need for "a tax program which will stimulate rather than stifle, business, and the adoption, before the war ends, of sound national policies affecting government-business relations, under congressional legislation."

He emphasized the problem of post-war shortages and surpluses of raw materials. "It is unthinkable," he said, "that the bottom should be allowed to drop out suddenly from under the prices for millions of farmers, or that thousands of workers should find themselves on the street because of vast Government contract cancellations."

Mr. Francis estimated that 2,170,000 new jobs would be created after the war if the nation's small business establishments found a way to employ only one more worker than each had previously employed. He declared that the profit motive would help after the war to maintain America's world leadership and stimulate, jobs, investments, and purchasing power.

Dr. Max Winkler Discusses Controversy Over U. S. Spending In Latin America

Speaking before the New York Society of Security Analysts at a luncheon Monday, Jan. 31, Dr. Max Winkler, partner of Bernard, Winkler & Co., and special lecturer at the Latin American Institute, contended that "the controversy between Senator Hugh A. Butler from Nebraska and the Administration resulting from the former's criticism of America's policy with respect to Latin America, particularly the manner in which American funds are expended in the Southern republics, is giving Washington a dose of its own medicine."

Dr. Max Winkler

"In the early thirties," Dr. Winkler contiued, "the activities of banking houses which were active in the underwriting of loans on behalf of foreign governments, political subdivisions and corporations, was made the subject of a very comprehensive investigation by a Senate Committee on Banking and Currency." "The investigators succeeded in selecting such loans as were characterized by a certain degree of irregularity and abuse," said Mr. Winkler, who went on to say:

"They then proceeded to delve into these irregularities at great length, thereby providing the press of the nation with sensational material for a long time. It is significant that out of a total of about $15 billion of foreign loans floated publicly and privately in the course of the '20s, the investigating committee succeeded in discovering irregularly underwritten issues to the extent of substantially less than 1% of the total. However, since great emphasis was laid upon loans of this category, and since information was conveyed to the public through glaring headlines about irregularities, actual or alleged, without in any way intimating the amount of bonds involved in relation to the total, the impression was created that irregularities and abuse which characterized an infinitesimal part of the total of foreign loans, applied to all foreign issues. The stigma which attached to banking houses in general and those prominently identified with the sale of foreign bonds in particular has not yet been completely removed, although the injustice was obvious to all those who took the trouble to examine in detail and without preconceived bias the general character of foreign loans.

"Although the complete report submitted to Congress by Senator Butler has not been available, it is apparent that the Senator may have emulated the example set by his colleagues who were sitting in judgment over American bankers about a decade ago, and submitted a report criticizing certain of American activities which are deserving of criticism, but failing to state that many, or perhaps most, of the American activities in and on behalf of the republics south of the Rio Grande are highly constructive in character and of marked aid to the war effort. The precise extent to which funds are expended for non-productive purposes is not known at this moment.

"To be sure, in the case of Senator Butler's report, spokesmen for the Administration hastened to stress the extent to which American aid to Latin America has been beneficial. On the other hand, there was no one who came to the aid of banking houses which were condemned by a Senate Committee for the very things of which the Government is presently accused."

Soviet Paper Charges Pope A Pro-Fascist

According to London Associated Press advices, the Moscow radio on Feb. 1 quoted an article from Izvestia, official Soviet Government newspaper, asserting that the servility of the Vatican toward Fascism has not been confined to Italy, but that the Vatican has approved of many Fascist acts of aggression. Continuing, the London account, as given in the New York "Sun," stated:

"The inglorious part played by the Vatican in Hitler's and Mussolini's ventures is common knowledge, while the Vatican maintained silence when Italy attacked France in June, 1940," Moscow said in a broadcast recorded by the Soviet monitor here. "The Vatican has now changed its course and preaches impartial love to all people, but the fact remains that in the great historic battle of freedom-loving people against the enemy of mankind, the Vatican adopted an attitude of direct support of Fascism."

From Moscow, Feb. 1, Associated Press advices as follows were reported in the "Sun":

Writing in the official Soviet newspaper Izvestia, Dmitri Petrov today called Pope Pius XII pro-Fascist and said: "No wonder hate of Hitler and Mussolini now also includes the Vatican.

"Catholics who live in England, America, Spain, Poland and other countries as well as the Italians are becoming convinced of the pro-Fascist character of the Vatican's policy. The Vatican has assumed the position of direct accomplice of Fascism."

In a long article reviewing the American Foreign Policy Association's observations on the Vatican, Petrov continued: "The Pope's declaration of equal love for all people on the fourth anniversary of the war, and on Christmas Day, 1943, does not conform with the Vatican's practical policy which not only has maintained diplomatic relations with Htler, but helped Hitler strangle Catholic groups opposed to Fascism in Germany as well as in Italy."

Petrov declared that there was growing opposition to the Vatican in Italy, and added: "The Vatican is harvesting the fruits of its own policy."

Bayway Interesting

The current situation in Bayway Terminal has interesting possibilities according to Kennedy and Co., Land Title Building, Philadelphia, Pa. Information on this situation may be had from Kennedy and Co. upon request.

Values In Reorganization Railroad Bonds

A comprehensive survey of nine pending railroad reorganizations

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Survey Of Nine Pending Railroad Reorganizations

Cowen & Co., 54 Pine St., New York City, members of the New York Stock Exchange, have issued a comprehensive survey of nine pending railroad reorganizations: Chicago, Milwaukee, St. Paul & Pacific; Chicago & North Western; Chicago, Rock Island & Pacific; Denver & Rio Grande Western; Missouri Pacific; New York, New Haven & Hartford; St. Louis-San Francisco; Seaboard Air Line, and Western Pacific. Included in the survey are new capitalizations, new and old charges, allocation of new securities, 1940-43 earnings, other pertinent data and also estimates of values of new and old securities, cash available for debt reduction after reorganization, and post-war earnings prospects.

Copies of this interesting survey may be had from Cowen & Co. upon written request.

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Railroad Securities

With few exceptions the December railroad earnings reports which started to appear last week have shown unexpectedly wide declines from a year earlier. Final wage adjustments to reflect the retroactive awards recently awarded employees had an important influence, and in some instances sizable deductions were made in the final month for deferred maintenance. While this item is allowed under ICC ruling because of the present scarcity of materials, it is not allowed as a tax deduction. The retroactive wage increases naturally had the greatest impact on those roads in the most favored tax position which, in general, included a larger proportion of the bankrupt carriers. In many instances the December adjustments resulted in large net operating deficits for roads which a year earlier had reported fairly substantial earnings, completely wiping out cumulative year-to-year earnings gains of the preceding 11 months.

A few of the roads had tax adjustments in the final month of 1943, which also had the effect of distorting earnings estimates made on the basis of 11 months' results. Notable among this group was the Western Pacific, where the December adjustment necessitated an upward revision of the company's earnings for the year in contrast with the downward revision of most roads. Western Pacific in December took an income tax credit of $6,759,886. The management decided that the company had no liability for income taxes or excess profits taxes last year even though they had made substantial accruals in the earlier months. The reasons for the sudden change in opinion as to the company's tax status were not given but presumably they are tied up with elimination in reorganization of the preferred and common stocks of the railroad operating company, which are entirely owned by the holding company, Western Pacific Railroad Corporation.

As a result of the December tax credit net operating income of Western Pacific for the full year 1943 amounted to $18,431,417 compared with $9,108,052 in 1942 and $695,148 in 1941. On the basis of the reorganization capitalization the 1943 earnings would be equivalent to approximately $50 a share on the new common. Obviously, the one year's per share earnings in themselves, with the large distortion due to a favorable tax condition which will presumably be non-recurring, do not alter the fundamental position of any of the road's new securities. The financial implications of the freedom from any tax liability out of 1943 earnings are, however, highly important. The funds previously set aside to meet the tax may now be diverted to other purposes, either reduction of debt after reorganization or for increased dividend disbursements.

The Nov. 30 balance sheet showed cash items of $20,380,160 and $11,430,000 of miscellaneous accounts receivable. Most of the latter represents funds due from the Government for transportation services and may be considered the equivalent of cash. Net current assets aggregated $22,010,574. The current liabilities included United States tax accruals of $8,321,791. Eliminating the income tax credit of $6,759,886 reduces the company's 1944 cash requirements by that amount and increases net working capital to $28,770,460. For interest on the new income bonds, sinking funds, and preferred stock dividend accruals from the effective date of the plan to Jan. 1, 1944, the company will need cash of $10,204,000.

By the time of consummation of the plan the trustees' certificates will be reduced to around $9,000,000. These certificates are allocated new first mortgage bonds par for par in the reorganization, the only fixed debt contemplated with the exception of equipments. The company will obviously be fully able to pay off this new first mortgage immediately on consummation of the plan. Fixed charges will thus be reduced below $100,000 per annum. In adittion to these requirements the company by the time the reorganization is completed should have at least an additional $5,000,000 of free funds available for distribution. This could be applied to purchase of the new income bonds (only $21,219,000 to be outstanding) or for a very substantial distribution on the common stock. There are only 319,441 shares of the latter to be outstanding.

Interesting Textile

Arlington Mills offers an interesting situation according to a memorandum issued by Hornblower & Weeks, 40 Wall St., New York City, members of the New York Stock Exchange and other leading exchanges. Copies of this memorandum may be had from the firm upon request.

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W. J. Hoysradt Dead

Warren J. Hoysradt, associated with F. S. Moseley & Co., 14 Wall St., New York City, for a number of years, died at the Lawrence Hospital, Bronxville, N. Y., after an extended illness. Mr. Hoysradt in the past was a Vice-President of the First of Michigan Corp. and was President of the Municipal Bond Club of New York.

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Real Estate Securities

Post-War Real Estate And Building Industry

Favorable Effect Of Building On Securities

Indiana Limestone Corporation To Benefit

Lately the newspapers in all parts of the country mention plans for post-war construction of housing projects, public buildings, office buildings, hotels and apartments. When one thinks back over a period of years, you come to the realization that there has been practically no new construction compared with normal years since about 1931. It is also a well-known fact that occupancy ratios today are higher than they have been in many years. The natural conclusion is that as soon as new building is again permitted, there will be a great deal of activity in the construction field.

Many corporations whose main business has come from the building industry will profit and the outstanding securities of such corporations will enjoy the effect of increased earnings. A corporation which we believe will materially benefit is the Indiana Limestone Corp. which in 1930 had net sales of over $10,300,000 and showed an operating profit in that year of $1,289,000 after depletion and depreciation. Since 1930, due to lack of construction, this company has operated at a deficit until 1943, when earnings due to war contracts showed $182,000 available for interest on outstanding funded debt.

The funded debt of the corporation consists of $6,489,500 General Mortgage Income 6s due 1952, **which assumed the status of First Mortgage Fixed Interest 6s due 1952 as of Nov. 1, 1943,** when the obligation under $2,000,000 Prior Lien 6s became fully discharged. Under the indenture securing these bonds, the first fixed interest payment becomes due on these bonds May 1, 1944, and the indications are that earnings from war contracts should be sufficient to cover, and as the balance sheet as of Nov. 30, 1943, showed actual cash of $450,000 in comparison to total liabilities of $153,000, the payment of interest May 1, 1944, is not beyond the realm of possibility.

Whether or not this interest is paid does not to us seem important. The important facts which we consider are first, net current assets of about $1,116,000 are equal to about $170 per $1,000 bond outstanding in comparison to the present market level of about $230 per $1,000 bond, while fixed assets at depreciated book value of about $7,100,000 further secure the bonds and, second, the return to normal net sales of around $10,000,000 producing $1,289,000 income would insure 3¼ times interest coverage of the funded debt.

These securities, in our opinion, have a very definite post-war speculative appeal and are worthy of consideration.

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Outlook For The Stock Market For 1944

. . . the outlook for 1944, I think the market is in an intermediate readjustment phase similar to that of 1923-24 and 1934. Technical probabilities favor something approximating a 10% decline in the industrial average during the first half of the year. If Germany should collapse within the next few months and Mr. Roosevelt should decide against seeking a fourth term, the market would probably initiate the second step of its major recovery before the end of 1944. But if Germany holds on through the year and Mr. Roosevelt decides to run again, I would not expect the market to get out of a range represented by 120-150 in the industrial average until some months after Germany is defeated and the market can begin to think in terms of discounting the post-war replacement of consumer durable goods. The beginning of the second step of the major recovery could thus be deferred until the spring of 1945.

I find a number of people are too important to accept a protracted intermediate phase of readjustment. They want to get right on with the interrupted bull market. They want their post-war boom while the war is still continuing. I can understand and be tolerant of their impatience, but from a longer-range New Era viewpoint I think they are wrong. A big bull market during the war, subsidized by Government expenditures of $8,000,000,000 a month, would in all probability produce a major bear market after the war.

Major bear markets wreck the long-range confidence needed for a genuine New Era price structure. To have another 1921-1929 or even another 1932-1937 the delusion must be fostered that major bear markets have been eliminated because we planned it that way. We planned the Federal Reserve System to eliminate money panics and business depressions and got 1929 to 1933. We planned the Securites and Exchange Commission to eliminate another 1929. If the market is patient and plays along slowly with fiscal control of the business cycle, who can tell what we can ultimately get? — *James F. Hughes, Smith, Barney & Co., before the Jan. 19 meeting of the American Statistical Association.*

A Suggested Solution Of The World Trade Problem

Import Duties Reimbursed

By H. R. Whitehead, London, England

As import duties, customs tariffs, taxes on foreign trade, protective duties, or whatever they may be called, are the main bar to fair trade, let the nations of the world—under the leadership of the richest—agree to remove the principal unfair characteristic of all such duties. Let them remain to protect if they are considered to do so, particular industries, and particular interests of the countries that impose them, but as between country and country reverse their credit effect. In other words, let the country which exports the goods have the full value of these goods pertaining in the country that imports them. This could be done, without in any way altering the protective effect of such duties, by the Governments of the United States, Britain, and the British Dominions agreeing that they will credit the Governments of each other (and of all reciprocating countries) with the full amount of all import duties, such credits of course to be in the currencies in which the duties are levied. Thus not only would each participating country know that it would be obtaining the full value for the products of its peoples' labour and machinery, with consequent great accession of all-round goodwill, but, also, and not less important from the economic point of view, every country reciprocating would be obtaining extra credits in the moneys of other countries. In that there would be the promise of increase in the volume of foreign money exchange and concomitantly in the volume, value and velocity of international trade.

Broadly it is evident that the advantages of tremendously increased goodwill between the trading nations, the uplift of international trade and the economic circulation of buying power by the all-round shuttling of the credits, would far outweigh the initial drawback which each nation would have to face in filling the void created by the absence of import duties in its own Budget. Each country would, of course, have the recurring credits on its taxed imports into foreign countries, and they would in due time become converted into its own money currency by way of imports and exchanges.

So that the benefits of the reversed credits from import duties may become of even greater world wide value than already indicated, there should be conditions attached. One such condition must be that no country shall itself subsidise its exports either directly or indirectly through its manufacturers, producers or traders: for that would be taking an unfair advantage of the reversed credits received from the countries importing its goods and would nullify their real purpose. It would be a fine thing if each country undertook to apply the exchange value of all reversed import duty credits to an internationally agreed scheme of Social Security for its peoples, for that would enormously enhance the beneficial effects of the revolution because there would then be an automatic lever on the standards of living of the poorer countries.

Thus briefly outlined is a suggested world-wide departure from an existing bad custom by so-to-speak simply switching over from the debit to the credit side the import duties in the ledger as between country and country. Thus for example, if Britain's import duties on United States goods—motor cars, etc.—amounted to say X million pounds, such X million pounds would be placed by the British Government to the credit of the United States Government and similarly if in the same period United States import duties on goods from Britain (textiles, tinplate, manufactures, etc.) amounted to say X million dollars, that amount would be placed by the U. S. Government to the credit of the British Government. Every accounting period, whatever amounts each collected by duties in imports from the other would be treated similarly. And so it would be as between the Government of every country that became party to the reciprocating agreement. Thus the smaller and poorer countries would constantly receive credits in the richer countries' moneys to the extent of the import duties on their (the poorer countries') goods, and vice versa.

They would of course also be receiving credits in their fellow poorer countries' currencies, and the richer countries would be receiving credits in their fellow richer countries' currencies. Every country charging import duties would, in fact, be holding perpetually accruing credits in favour of the countries on whose imported goods it charged customs duties.

It is understood of course, that the undertaking would be to reciprocate with any country wishing to reciprocate; there would be no question of selection, the purpose being first a surety of trading goodwill, secondly a round-the-world creation of international trade, and thirdly, if this can also be agreed, the provision of funds for set plans of Social Security through the application by each country of the equivalent value of the credits in its own currency.

If Britain and America alone agreed to the scheme as between themselves and any other country wishing to reciprocate, none would find it worth while to stand aloof. Those which might find a little temporary difficulty in immediately replacing import duties by other forms of tax revenue could easily be helped out. The effects of trade expansion, the availability of foreign currency credits, the general goodwill abroad, and, not least, the effects of Social Security benefits on internal as well as external trade through improvement of living standards, would go a long way towards the attainment of the twin aims of so many present-day planners—the abolition of want and the abolition of war.

The "Chronicle" invites comments on the views expressed by Mr. Whitehead in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, "Commercial and Financial Chronicle," 25 Spruce Street, New York 8, N. Y.

Fourth War Loan Drive For $14 Billions

The Fourth War Loan drive which was formally opened throughout the nation on Jan. 18 with a over-all goal of $14,000,000,000, is emphasizing purchases by individual investors, for which the Treasury Department has set a national quota of $5,500,000,000. For New York State the individual sales quota has been fixed at $911,000,000, of which New York City's quota is $698,500,000.

It was disclosed in the New York "Times" of Jan. 31 that although the current campaign (in the State) is running 12% ahead of both the second and third loans in total sales of all series of bonds its record is even better in sales of Series E bonds, the type favored by small investors." The paper quoted also said: "A review of the current drive showed 1,600,000 sales of bonds to individuals in this State, for a total of $242,000,000 in all series. This is 26.6%, through Friday (Jan. 28), of the State quota of $911,000,000. Treasury officials said they were well satisfied, since in this drive, as in previous ones, the first efforts were toward the sales of bonds to small investors, with the 'heavy money' sales coming during the closing weeks.

"With sales of Series E bonds jumping to $8,000,000 on Friday—a record for a single day—as a result of the disclosure of the mass murder of American war prisoners by the Japanese, War Savings officials predicted last night that eight-million-dollar days in Series E sales would continue 'for some time.'"

Although only reports on individual sales will be made public up to Feb. 1, subscriptions from other non-banking investors will also be accepted during this period. The drive is expected to be concluded on Feb. 15.

In a statement urging support of the drive, President Roosevelt said:

"The Fourth War Loan Drive is an opportunity to demonstrate the power of democracy in action. It is the personal business of every American to see that this drive succeeds.

"Our most difficult military operations are ahead of us—not behind us. Until we have actually occupied Berlin and Toyko we cannot indulge for a moment in the pleasant day dream that the war is almost over.

"Our troops must have overpowering superiority in every kind of weapon and fighting equipment—in the air, on the sea, under the sea, and on land. That is the quickest way to achieve victory—and the least costly in human life and sorrow.

"During the Fourth War Loan Drive all of us will have an opportunity to do our share in shortening the war and causing the unconditional surrender of the enemy. Every dollar invested in war bonds is an addition to our offensive power, a contribution to our future happiness and security. Let's all back the attack!"

On Jan. 15, A. L. M. Wiggins, President of the American Bankers Association and President of the Bank of Hartsville, S. C., urged in a radio address that every surplus dollar of income be invested in war bonds for post-war economic security and as the "best check on inflation." Mr. Wiggins was introduced to the radio audience by Daniel W. Bell, Under Secretary of the Treasury, who paid tribute to the banks and their employees for the 'indispensable services given to the Treasury."

The securities being sold consist of Series E, F and G savings bonds; Series C savings notes; 2½% bonds of 1965-70; 2¼% bonds of 1956-59, and ⅞% certificates of indebtedness.

The Platinum Metals

Year Saw Increased Use of Platinum, Palladium and Ruthenium, Says Charles Engelhard—Future of Platinum Metals Encouraging.

The year 1943 has been one of increasing use of platinum, palladium and ruthenium, Charles Engelhard, President of Baker & Co., Inc., states in his annual review of the platinum metals.

Platinum

With platinum being used almost exclusively in the war effort, a review of its uses is inadvisable at this time.

Palladium

Charles Engelhard

Palladium has experienced a very active demand during the year, principally for jewelry, dental alloys and electrical contacts.

Following the restriction on platinum's use in jewelry, the trade and the public revived interest in white metal for modern jewelry. Palladium has benefited from this trend, he adds.

"While the demand for palladium has been unsual, nevertheless there has been a restriction in jewelry's use of the metal as well as gold because of the Government's desire to conserve manpower and employ precision machinery for war production," Mr. Engelhard continues. "As a result of this curtailment it is reported the supply of wedding and engagement rings may be insufficient. In my opinion, the Government will make adequate provision for additional metal should such a contingency arise.

Ruthenium

"Ruthenium was one of the most interesting of the platinum metals during the past year. It had previously been overshadowed by iridium as a hardener of other platinum metals. With the shortage which developed in the supply of iridium, the properties of ruthenium were investigated by the industry and this metal now fills an important position in the field of precious metal hardeners.

Outlook for Platinum Metals

"The future of all platinum metals is encouraging as a consequence of the great interest in them by science and industry during the present war. Knowledge of these metals indicates their greater usefulness in the chemical and allied industries of the post-war era, for improved processes and new products. It is interesting to note that expanded production of fiberglas, rayon and electronics, three modern developments of science, was made possible by platinum."

Mr. Engelhard feels that "the future of palladium is extremely bright, particularly in jewelry to supplant white gold, in dentistry to replace gold, and in the chemical industry for catalytic purposes. Current stocks of this metal assure ample supplies for all these purposes."

Delisting Trend Emphasized In Shawmut Case

Boston Exchange Counsel Tells SEC of Threat to Regional Exchanges

The Securities and Exchange Commisison was asked Jan. 13 to "give consideration" to the growing trend for delisting of securities on regional exchanges by their issuers, and its ultimate effect on such exchanges, during oral argument on the application of Shawmut Association, of Boston, to remove its common stock from listing and registration on the Boston Stock Exchange.

The request was made by Edmund Brandon, counsel for the Boston Exchange, who joined with Orrin C. Knudsen, counsel for the SEC's trading and exchange division, in asking the Commission to impose certain conditions in granting Shawmut's application.

Pointing out that there is "a definite trend" toward delistings by issuers, particularly in the last twelve months, Mr. Brandon said:

"In 1943, alone, 50% of all delistings filed since 1936 came before the Commission. I should like to suggest that the SEC take this situation into consideration on determining the issues here. Otherwise, the time may shortly be at hand when there may be no regional exchanges and the securities industry turned largely over to the over-the-counter market, in which event even the Big Board may feel the pinch."

Shawmut Stand Challenged

The argument was on the report of Trial Examiner Richard Townsend, who recommended that the Commisison find that the question of withdrawal from listing should be submitted to Shawmut's stockholders for approval, and that a copy of the Commission's findings and opinion, setting forth the facts developed at the hearing, be furnished each stockholder at or before the solicitation of such consent.

Robert E. Dodge, Jr., counsel for Shawmut, argued that the trust's whole desire in requesting delisting was to increase the market value of its stock through over-the-counter trading sponsorship. He pointed out that trading on the exchange was at $11.75 a share, compared with an asset value of $19.65 a share.

In discussing Shawmut's structure, Mr. Dodge pointed out that it is not a corporation, that its shareholders are merely beneficiaries of a trust and have no voting rights except upon amendments. Under the circumstances, the trust's shareholders are "less entitled" to a vote upon delisting than those of a corporation, he said.

Both Mr. Brandon and Mr. Knudsen took sharp issue with Shawmut management's statement that trading in the over-the-counter market would enhance the value of its stock, terming it "sheer conjecture."

Calls Over-Counter Costlier

"The record shows that the over-the-counter market for the applicant's stock is considerably less efficient and more costly to buyers and sellers than the exchange market," Mr. Knudsen said.

Taking a comparative closed-end company as an illustration, he told the Commisison that Old Colony Trust Associates, securities of which are all traded in the over-the-counter market, shows a different picture.

Taking conditions as of Dec. 31, 1941, Mr. Knudsen said that the market value of Shawmut's shares on the Boston Exchange was 57.4% of asset value. On the same date, Old Colony shares on the over-the-counter market were 43%. On Dec. 31, 1943, Shawmut's shares on the exchange were 59.9% of asset value, compared with 46.8% for Old Colony's shares on the over-the-counter market.

On June 30, 1943, Shawmut's shares on the exchange were 61% of asset value, while Old Colony's were 57% on the over-the-counter markets.

"These figures show that the applicant's claim that there is much too great a discrepancy between the asset value and market value cannot be sustained," Mr. Knudsen said.

Fuller Case Recalled

Mr. Brandon said that in asking for the imposition of terms he was aware that he was asking the Commission to do something which it declined to do in the Fuller Manufacturing Co. decision last month.

In that case the Commission, in granting the delisting application, took the position that because it had neither precedent nor a specific rule for the imposition of a term requiring a stockholders' vote on a question of withdrawal from listing, it would not impose such a term.

"Despite this language we are of the opinion that the instant case is an appropriate one for the imposition of such a term," he said. "The record will disclose—and indeed the applicant concedes—that the applicant is a trust in which the shareholders have no voice in the management and control of the trust's affairs. In our view this makes it imperative that their approval or disapproval on the question of delisting be ascertained after they have been fully informed of all the facts and circumstances surrounding the question of withdrawal from registration.

"We believe that the Commission has ample authority to impose such a term and that if there be any doubt the doubt should be resolved in favor of a shareholders' vote. If the applicant is aggrieved by such a decision it has the opportunity and the right to seek judicial revue of the act of the Commission."

Mr. Brandon argued that it was clear from the historical background to the Securities Exchange Act of 1934 that neither the Congress nor the Commission ever intended a wholesale withdrawal from registration to be the result of control and regulation of the stock exchanges.

"The various regulations, prohibitions, controls and safeguards which the Act and the Commission have placed upon exchange tradings will have been in vain if the exchanges are to dwindle into nothingness through the process of delisting of their registrants," he said. "It is apparent that governmental control and supervision of the over-the-counter market cannot as a practical matter be nearly as effective as control and supervision of the exchanges.

"The Boston Stock Exchange is well aware that in advancing these contentions it is going somewhat afield from the precise issues involved in this case, but it feels that in so doing it is serving a useful purpose in calling to the attention of the Commission a situation which it submits is not a healthy one. It is in effect making a plea for its own survival and that of the other exchanges, all of which are experiencing the same problem. It is not seeking to take anything away from the over-the-counter market, but rather to retain some kind of balance between the two types of trading and keep itself alive as a competitive entity."

Looking Ahead

By FLOYD B. ODLUM

Floyd B. Odlum

I do not believe there will be any deep or prolonged depression in this country as a consequence of peace. Such dislocation of labor and industry as we have in connection with conversion of factories to peace production and reallocation of labor should not be long sustained.

The fact that conversion of industry has already been started, even if in a minor way, plus the probability that the war in the Pacific will outlast the war in Europe, should temper the effects of readjustment to peace by spreading and cushioning the shock.

The people of this country when peace arrives will be greatly understocked with civilian goods and will have a great amount of accumulated savings to spend in stocking up. Also the demand from abroad for our products will be considerable.

All this would seem to indicate a period of business activity.

Home Financing Up In Ill.-Wis. District

The money borrowed to finance homes in Illinois and Wisconsin for the full year 1943 will be probably greater than in 1942, it was pointed out by the Federal Home Loan Bank of Chicago on Dec. 28. In reporting on the home mortgages recorded by all types of lenders through the third quarter of the year, the bank said that a total of 29,144 home loans, amounting to $102,460,000 were made, an increase of 8.2% over the same quarter last year. The number of loans, however, was smaller than last year. demonstrating the increasing size of the new obligations being assumed for home ownership. Beginning with June of this year, A. R. Gardner, President of the Bank said, total volume of new home mortgages in the Illinois-Wisconsin district leaped ahead of last year, month by month.

In its advices the bank also stated:

"Savings, building and loan associations, providing the largest single block of this financing, increased their percentage of the total amount lent each quarter of the current year. In the third quarter they accounted for 38% of the dollar volume, compared with 36.7% the second, and 32.7% the first quarter. Dependence on these community sources of money was conspicuously greater than in 1942 when their percentage was 33% the first three quarters.

"During the third quarter this year the loans made in metropolitan areas rose to a new high of 66% of total dollar volume, as compared with 55% the same period last year."

Burch on N. Y. Banking Bd.

The appointment of Arthur J. Burch, of Troy, N. Y., as a member of the New York State Banking Board has been announced by Gov. Thomas E. Dewey. Mr. Burch, who is President of the Troy Cooperative Savings and Loan Association, was named for the unexpired term of the late Arthur P. Bartholomew, who represented the savings and loan industry on the Banking Board. Mr. Burch has headed the Troy Cooperative for the past 25 years and prior to that time was associated with the Pioneer Building Loan and Savings Association. Mr. Bartholomew's death was reported in these columns Oct. 21, 1943, page 1628.

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NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number seventeen of a series.*
SCHENLEY DISTILLERS CORP.,
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In Harmony!

Please let your imagination run rampant for a moment or two. You're sitting in a symphony hall. There in front of you is an orchestra of 100 or more pieces. There are the wood winds and brasses, and strings, drums, and timpani; and a harp and a piano. Each instrument is played by an artist—perhaps a virtuoso in his own right, because this is a great orchestra.

Now here comes the conductor! He takes his stand on the podium, and he has a "formula" before him—a score of music. Or, perhaps, he needs no score; he knows that symphony by heart. He raps for attention. Listen to the music—the harmony—that comes out of those instruments!

Forgive me, won't you, but this man on the podium is a "blender." He takes "ingredients"—different characteristics of instruments and men who play them—and blends them together into a harmonious whole—in proper sequence and "values" intended by the composer—and you have an end-product that arouses your enthusiasm.

And, hearing is only one of our senses; *tasting is another*. We have the most educated taste buds of any people on earth, because our standard of living is higher. Who, in America, doesn't know the taste of the best eggs, the best milk, the best butter and the best cuts of meat? Perhaps that's the answer to the lack of high seasoning and condiments and fancy sauces in our national cookery. Most of us prefer our viands *au naturel*.

Well, I am off the track. What's all this got to do with a symphony conductor, or blender? I wanted to make an analogy in spite of the knowledge that comparisons are sometimes dangerous. A skillful blender of whiskies also seeks the "harmony" of ingredients. His ingredients are many varied types of whiskies of different ages and dominant characteristics. He finds them in the Distiller's "Library" of Whiskies. Perhaps many of these whiskies are quite palatable by themselves, but the blender by deft, sequential "arrangement" can take a number of fine individual whiskies and blend them to create an end-product which may be infinitely superior in taste and aroma, mellowness and mildness, to any single "ingredient" he employs.

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Bond Club Of Phila. Committee Chairmen

PHILADELPHIA, PA.—Robert G. Rowe, Stroud & Co., president of the Bond Club of Philadelphia, announces the appointment of the following committee chairmen:

Elective Committee: Orus J. Matthews, Kidder, Peabody & Co.

Arrangements Committee: George L. Morris, Hornblower & Weeks.

Publicity Committee: John M. Flynn, II, E. W. Clark & Co.

Attendance Committee: Norbert W. Markus, Smith, Barney & Co.

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Pennsylvania Brevities

Philadelphia Traders Party

Despite wartime restrictions in the victual and liquid refreshment departments, the Philadelphia Investment Traders Association loudly proclaims there is no rationing of good fellowship. The Association's annual Midwinter Dinner will be held Friday, February 11, at the Benjamin Franklin Hotel and advance reservations indicate an attendance of approximately 400.

Chairman Alfred W. Tryder, H. T. Greenwood & Co., who, on occasion, does tricks with points in his daily trading, has laid aside enough to provide a sumptuous table. The "soda bar" presented something more of a problem. Spirits have been strictly rationed in Pennsylvania since November. Allowable per capita purchases, at present amounting to one "fifth" over a five-week period, are, strangely enough, regarded as niggardly. Members of the Association, like good little squirrels, have hoarded sufficient gallonage to stock the premises and challenge the collective thirst of all in attendance. Entertainment, headlined with a plethora of pulchritude, will be customarily lavish.

The dinner will be dedicated to the 43 members of the Association now serving in the armed forces.

Major Herbert H. Blizzard, Herbert H. Blizzard & Co., stationed at Shaw Field, Sumter, South Carolina, keeps in touch with his broker friends by occasional issues of his "Blitz Bulletin." The "Sherbert from Herbert," as he calls his mimeographed news letter, is couched in Herb's well-known trenchant style.

Benjamin Brooks, W. H. Bell & Co., continues to guide and supervise trading activities in the forenoons while rolling with the punches at Keasby & Mattison, Ambler, Pa., manufacturers of asbestos pipe, from 3 to 11 p.m. daily. Ben lost a debate with his local draft board lately. Until his next birthday, in May, it was a question of G.I. or else. On the nervous seat in the same office are Edward J. Caughlin and Randolph Fernon. Safely over the hill is collaborator Almon L. ("Old Hutch") Hutchinson of Buckley Brothers, who celebrated an advanced natal day last week.

Effective the first of the year: appointment of Charles L. Wallingford as co-manager, with Henry B. Warner, of trading department of E. H. Rollins & Sons.

Edmund J. Davis, vice-president and manager of the trading department of Rambo, Keen, Close & Kerner, has signed up for a series of blood donations. "I've got too much 'pep'," says Eddie. Informed observers believe he is running high pressure over a Certain Party.

Corporation Notes

Although gross revenues of Pennsylvania Railroad for 1943 established a new record of $979,773,155, against $838,474,623 in 1942 and $614,041,163 in 1941, net income for the year was some $16,000,000 less than in 1942. Common stock earned $6.49 per share in 1943 against $7.07 in the preceding year. Increased tax liability and an accrual of $20,000,000 for back pay under the retroactive wage awards brought about the lower net income figure.

The Pennsylvania, which has turned in an outstanding performance in handling wartime traffic, both passsenger and freight, reports 41,101 employes in the armed services, 92 of whom are gold-starred.

York Corporation common stock, a popular favorite and a heavy trader in the unlisted market for the last eight months, made its debut on the New York Stock Exchange January 31. Opening at 11¾, it was up ¼ from the last over-the-counter transaction.

Earnings of Muskogee Company, Philadelphai - managed railroad holding company, are expected to approximate $1.50 per share on the 202,182 common shares outstanding. This will compare with the $0.96 reported in 1942. Common stock has paid dividends without interruption since 1928 and at the present rate of $0.75 since 1940. It is tax free in Pennsylvania.

Stockholders of Lukens Steel Co. have been advised that the annual meeting, scheduled for Feb. 8, has been postponed until Feb. 23, to allow more time for the preparation of the annual report.

Bankers Securities Corp. reports net profit of $681,936 for 1943, after deducting $201,248 for adjustment of securities values. This compares with profit of $223,679, after deductions of $352,331, in 1942.

Assets of $896,963,356 as of December 31, highest in company's history and an increase of $48,270,665 for the year, were reported by John A. Stevenson, President of Penn Mutual Life Insurance Co., in his annual report to the board of trustees.

(Continued on page 507)

Carter Elected Pres. Of Securities Ass'n

PHILADELPHIA, PA.—Harold F. Carter, Hornblower & Weeks, has been elected president of the Philadelphia Securities Association, composed mostly of retail salesmen. Other officers elected: William V. McKenzie, Paine, Webber, Jackson & Curtis, vice president; George K. Dorsey, Reynolds & Co., treasurer, and Henry R. Hallowell, Eastman, Dillon & Co., secretary. Elected to the board of governors: Herbert F. Gretz, Fidelity-Philadelphia Trust Co., William B. Ingersoll, Stroud & Co., Harry B. Snyder, Yarnall & Co., Harold J. Williams, Boenning & Co., and H. Clifton Neff, Schmidt, Poole & Co.

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City Of Philadelphia Bonds

INVESTMENT RATING RAISED

In the past few years the financial condition of the city of Philadelphia has shown an outstanding improvement. Because of the astute financial management of the city and the definitely improved financial structure which now exists, one of the outstanding investment services recently realized that the investment quality rating should be raised. This took place a few weeks ago when Moody's changed the rating from Baa to A.

With this higher rating the bonds of the city of Philadelphia will no doubt find their way into new accounts. It definitely opens the door to the portfolios which were restricted from investment therein due to the investment services credit rating.

Let us take a look at the record and see why this higher quality rating is justified.

Philadelphia, the third largest of American cities, is an important seaport and distributing center, being located on the highly navigable Delaware River. The city is one of the world's greatest workshops. It contains over 4,500 separate manufacturing places, employing hundreds of thousands. Manufacturing is the chief industry and includes textiles, metals, electrical supplies, chemicals, locomotives, airplanes, shipbuilding and various other industries. Because her industries cover a range of several hundred lines of employment, the city's prosperity does not depend upon mass production of a limited number of products, as in most great manufacturing centers. This fact alone should be very helpful during the period of transition after the war.

The city owns and operates its water works system, sewage disposal plant, public markets, shipping piers and airport. It also owns certain street railways and its gas works which are operated under lease agreements.

For many years the city was forced to operate under an unbalanced budget. To rectify this condition it was necessary to take drastic economic measures.

In May, 1939, the rentals of the city's gas works were assigned by the city to a trust for an initial period of 18 years. Against this $41,000,000 gas revenue trust certificates were issued. These funds enabled the city to balance the budget for the first time in many years.

To keep this budget balanced it was necessary to find additional annual revenues. The angel this time came in the form of a gross income (wage) tax. On Jan. 1, 1940, a 1½% tax on wages, salaries and commissions became effective. The levy is specifically on earned income, exempting income from investments. The tax is collectible at the source and employers are required to make payments monthly. The tax has netted city as follows:

1940	$16,283,820
1941	18,377,900
1942	24,762,041
1943	20,761,883

This wage tax in 1942 was 27.76% of total current receipts. In December, 1942, City Council realized that it was not necessary to have a 1½% rate and so it was reduced to 1%, effective Jan. 1, 1943. The wage tax in 1943 was 24.23% of total current receipts even after the 33⅓% reduction in rate.

The next outstanding economic measure taken was the large reduction in future debt service requirements. This was made possible by the unique voluntary refunding plans of 1941 and 1942.

Under the 1941 refunding plan operation there was a $131,064,000 refunding authorization. $83,389,200, or 63.6%, had been exchanged at the termination of the refunding agreement on June 15, 1942. The approximate saving to the city by the 1941 refunding plan is estimated to be $18,100,000.

Under the 1942 refunding plan operation there was a $162,296,000 refunding authorization. $99,991,400, or 61.5%, had been exchanged at the termination of the refunding agreement on Oct. 31, 1943. The approximate saving to the city by the 1942 refunding plan was estimated to be $27,710,000.

These two successful refunding operations should effect a saving to the city of approximately $45,800,000.

Philadelphia's Sinking Fund Commission closed the year of 1943 with assets totaling $140,970,697, which included $134,393,100 in investments and $4,523,011 in cash. During the year of 1943 the city's gross debt was reduced $10,480,700.

(Continued on page 507)

Phila. Traders Ass'n To Hold Winter Dinner

PHILADELPHIA, PA.—The Investment Traders Association of Philadelphia will hold its annual Mid-Winter dinner on Friday, February 11th at the Benjamin Franklin Hotel. The dinner will be dedicated to the forty-three members of the Association in the armed forces. Alfred Tryder of H. T. Greenwood & Co. is chairman of the dinner.

Advance reservations indicate an attendance of approximately four hundred.

Phila. Cashiers Name New Officers For '44

PHILADELPHIA, PA. — The Cashiers Association of Philadelphia announces the election of the following officers:

President: Norman W. Godshall, J. W. Sparks & Co.

Vice-President: J. J. Trueman, Jr., Harriman, Ripley & Co.

Treasurer: Howard Umstead, Stroud & Co.

Secretary: George Purvis, Jr., Drexel & Co.

Executive Committee: Harry Eisenhaus, Biddle, Whelen & Co.; Thomas Brennan, C. C. Collings & Co.; and Allen Hunter, Hopper, Soliday & Co.

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City Of Philadelphia Bonds

(Continued from page 506)

the total as of Dec. 31 being $476,514,800. The Sinking Fund Commission owns $125,818,900 city of Philadelphia bonds or slightly more than 26% of the outstanding city debt. It also owns $8,574,200 in Federal Government securities.

Interest paid on the city debt during 1943 amounted to $19,987,294, a reduction of $704,528 from the preceding year.

FUNDED DEBT OUTSTANDING

	12-31-1939	12-31-1940	12-31-1941	12-31-1942	12-31-1943
Total outstanding not yet due	$533,450,600	$517,469,600	$506,660,600	$486,990,600	$476,509,900
Unclaimed matured loans overdue	18,700	7,700	12,400	4,900	4,900
	$533,469,300	$517,477,300	$506,673,000	$486,995,500	$476,514,800
City loans held by sinking funds	147,784,200	141,879,500	136,428,200	134,210,800	125,818,900
Net funded debt	$385,685,100	$375,597,800	$370,244,800	$352,784,700	$350,695,900

	12-31-1942	12-31-1943
Cash	$1,196,918.31	$4,523,011.14
Net debt	351,587,781.69	346,172,888.88
Government bonds held	------	8,574,200.00

Collections of city revenue for 1943 were very good, receipts being $85,690,392, or $4,125,996 over the budget estimate. The principal increases were in current real estate taxes, wage taxes and the Philadelphia Transportation Co.

On Jan. 28, 1944, the city of Philadelphia celebrated its 259th birthday as a municipal government. A "go forward pledge" was given by all the city officials. It is more than likely the city will go forward as the City Planning Commission of Philadelphia is composed of the most competent men of the city. They have already performed admirably and their work in the future will be even better.

STATISTICS OF THE CITY OF PHILADELPHIA

September 30—	1943	1938	1933	1928	1923	1918
			(000 omitted)			
Funded debt unissued	$15,989	$4,989	$22,343	*$88,499	*$132,823	*$85,100
Funded debt outstanding	480,825	537,097	568,800	472,559	241,896	167,500
Held in sinking fund	139,049	141,919	127,796	101,482	56,940	33,781
Assessed valua. (real & per.)	3,070,557	3,456,332	4,162,012	4,454,559	3,044,231	2,490,409
Population	1,987	1,935	1,945	1,925	1,862	1,769

*Transit debt authorized, but not issued.

OUR REPORTER'S REPORT

Underwriting people, when they find time out for pushing the the Fourth War Loan Drive these days, are inclined to look with hopeful anticipation past the middle of the current month when they will be free once again to pursue their regular business.

While not encountering too much free time just now they are able to visualize, judging from sporadic discussion, the promise of a fairly vigorous period of activity in the corporate issue market.

Just now when the occasion affords, there is considerable discussion of several undertakings which are looked upon as likely to materialize soon after the Treasury withdraws from the money market.

Largest of such issues immediately in sight, now that the vast Niagara Hudson Power Corp. refinancing has received a setback, is the prospective refinancing by Armour & Co., which is expected to entail new securities running up around $75,000,000.

Much of the preliminary work looking toward the accomplishment of this big job was carried through last Fall when the company absorbed its major subsidiary, Armour & Co. of Delaware.

The latter firm had outstanding $62,268,000 of 4 per cent sinking fund bonds in two series due in 1955 and 1957. In addition it had $15,000,000 of five-year 3 per cent notes held in the portfolios of a group of insurance companies.

Port Authority Vs. Treasury

The long litigation between the Port of New York Authority and the United States Treasury, growing out of the efforts of the latter to have interest on the Authority's bonds held subject to federal taxation, moved nearer to final showdown last week when the United States Tax Court ruled against the Treasury.

But in handing down its decision, the sixteen-judge court split 10 to 5 with one Judge not participating, and, what was more important, the court gingerly sidestepped the element of constitutionality of the Treasury's claim.

The ruling in favor of the Authority was based on a clause in the Revenue Act with the majority opinion holding "We take the view that the interest in the question is free from tax because it falls within the express exemption contained in the applicable Revenue Acts."

Consequently, it is the consensus in bond circles that the Treasury will now carry its case to the Supreme Court in due course.

Big Industrial Issue

Another sizeable piece of prospective new business was added to the futures list of underwriters with the announcement by the Phillips Petroleum Co. of its intention to file necessary registration for $40,000,000 of new securities.

The company proposes to issue and sell $40,000,000 of new 2¾ per cent debentures to mature 1964 and the registration is scheduled to go through some time this week.

Looming up as an early market operation to follow the current War Loan Drive, this undertaking will provide the company with funds for repayment of outstanding bank loans to replenish its working capital.

Florida Power Corp.

Sale of Florida Power Corporation's $16,500,000 new first mortgage bonds promises to bring out lively competition when the bids are opened on February 21.

Unless the proposed schedule is upset in the meantime, it now appears that this company's refinancing will be among the first, if not the first, to reach market in the wake of the Treasury's operation.

Four separate banking groups are known to be working up their bids, and since the issue is of dimensions which can be readily handled it would not be surprising to find the field much larger as the time comes for bankers to breast the tape.

Pennsylvania Brevities

(Continued from page 506)

The Pennsylvania personal property tax has been reduced from 8 to 4 mills, with residents required to pay only the 4-mill county tax.

Evan Randolph, President of Philadelphia National Bank, reports for 1943 the largest net earnings from current operations in the bank's history, amounting to $5,870,116 against $4,548,608 in 1942.

Local interest has developed in the "when issued" common stock of Southern Colorado Power Co., which will presently be available through the exchange of Southern Colorado preferred stock in the ratio of 10 shares of new common for each share of old preferred. The refunding, last December, of $6,763,400 1st mortgage 6s through the issuance of $5,500,000 3½% bonds and $1,200,000 notes will provide savings in fixed charges of about $250,000 annually.

The distribution of Delaware Power & Light common stock to the stockholders of United Gas Improvement Co., in ratio of 1 share Delaware for each 20 shares U. G. I., was approved by the SEC on Dec. 28, 1943. Directors of U. G. I. have called a special meeting of the stockholders for Feb. 29 to act on the distribution. It is expected that physical deliveries will be made about May 22. With Delaware actively traded on a when issued basis around 14½ the indicated value of the distribution would be about 70-75 cents per share of the U. G. I. On this basis, and when issued market for U. G. I., "ex-Delaware," is already quoted 1¾ to 2. A third market for U. G. I. common shares, based on the proposed 1 for 10 reverse split-up, may be expected at any time. A present indicated market would be 23 bid, 25 asked.

Securities of Pittsburgh Railways Co. system have broadened in demand and strengthened in price with the publication of the Associated Press dispatch January 27 (see page 62, The Commercial & Financial Chronicle, January 6) that creditors had proposed termination of the bankruptcy proceedings originated in 1938.

The next step to be expected is a reply from the Philadelphia Company, parent of the Railways, indicating a willingness to proceed with a discussion of ways and means of accomplishing this purpose.

General Steel Castings Corp. has announced that, in 1943, the company purchased and retired $2,000,000 first mortgage 5½s, leaving a total of $12,280,000 outstanding, of which $3,323,000 are held in the treasury.

Finland Redeems Bonds

Holders of 22-year 6% external loan sinking fund gold bonds due September 1, 1945 of the Republic of Finland are being notified that $380,000 principal amount of these bonds will be redeemed on March 1, 1944 at par and accrued interest. Redemption will be made at the head office of the National City Bank of New York, 55 Wall Street.

Want FHA And FHLBS Made Separate Units

More than three-fourths of the members of the Mortgage Bankers Association of America, participating in a fact-finding poll just completed, believe that both the Federal Housing Administration and the Federal Home Loan Bank System would better serve the purposes which Congress intended they should if they were separate agencies and not a part of the National Housing Agency.

Advices from the Association added:

"The study shows that 80% of the MBA members in 100 cities in 40 States, whose opinions are represented in the findings, believe that FHA should be a separate agency as it was when organized. Seventy-eight per cent think the same way about the Federal Home Loan Bank System. Dissenting opinions reflect the general view that centralization of housing, housing financing, and insurance of housing loans is preferable. Members favoring separation say that both agencies have specific functions to perform in the housing and financing field and can best perform them as independent units and not as part of NHA, according to Charles A. Mullenix, Cleveland, Chairman of the Association's Washington Committee.

Wool Associates Elect

Frank J. Knell, President of the Wool Associates of the New York Cotton Exchange, Inc., announces the election of Arthur N. Gorham to membership in Wool Associates. Mr. Gorham is Treasurer of the firm of Greene & Gorham, Inc., Boston.

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Some Thoughts On Post-War Banking

(Continued from page 498)

alyzing effect on the freedom and initiative of banking and bureaucracy will flourish.

Guaranteed credits will mean in effect a guarantee of suicide for private banking. This seductive device for taking the risk out of loans leads automatically to taking away the justification for the existence of the banker.

Guaranteed credits in peacetime point the way to socialized banking.

Total Loans And Investments

Banking is the only major industry which will increase its volume two and one-half times during the war and hold all of the gain in volume after the war.

Volume is measured by loans and investments. For the system as a whole (that is, excluding savings banks) commercial bank loans and investments are estimated as follows:

Pre-war 1939:	
June 30	$39,274,000,000
Today 1943:	
June 30	76,634,000,000
Dec. 31 (est.)	87,000,000,000
Post-war 1947:	
(Est.)	105,000,000,000

Upstate banks, that is, all New York State commercial banks outside New York City, had loans and investments pre-war, June 30, 1939, of $2,731,000,000; (Dec. 31, 1943 is estimated at $4,000,000,000) and will have post-war of about $5,500,000,000. During the war, up-State New York banks have increased loans and investments only about 50%, as against more than twice that percentage for all banks of the nation. They have shared poorly in the increase, but by the same token they will probably make up for this in the post-war period when the return flow of population occurs.

In 1939, up-State New York banks had 7% of loans and investments of all banks. Today they have only 4.5%. After the war they are likely to rebound to about 5.5%, perhaps a little higher, but not to the full 7%.

War with all its horrors is a blessing in disguise in one sense, namely, that it creates a volume—loans and investments — under which private banking has a chance to earn enough to survive with cheap money.

For banks, the war makes two or three blades of grass grow where one grew before. The increase is thrust upon you. You did not create it; war was the creator. Nothing can take it away from you except politics, and today the political trend is strongly to the right, which means not only that the war saved the banks from the New Deal but also that free enterprise and private management are the correct assumptions to make for the coming peace.

I am talking volume, volume showered upon you by war, volume not at all of your asking, volume that you really did not want, but now that it is yours anyway, it is here for keeps and the only question is: Can you use it to help create jobs throughout your local communities for the men, now fighting and dying on the battlefronts of the world, when they come home?

Government Portfolio

The true purpose and function of Government portfolio in the years ahead will be to act as a great stabilizer of bank earnings.

After the war, the Government will be paying the commercial banks as a whole about $1,200,000,000 per annum in interest on governments held by the banks. Continuation of that source of income is a balance wheel on bank earnings. It assures bread and butter earnings year in and year out and eliminates the violent fluctuations of the past.

Once this point is grasped, it becomes possible to go from negative to positive in thinking about Government portfolio. By negative, I mean the currently popular notion that Government portfolio is to be looked on as a fire hazard, a grave risk because of a possible tightening of interest rates. By positive, I mean a philosophy of putting to constructive use this new tool of banking.

Government portfolio looming up as a major part of total assets is a new product due to the war. Its very newness causes tension and nervousness. But as time goes on the pilot becomes accustomed to his new power and feels at home at the controls. So must it be as the banker becomes habituated to Government portfolio. He will ask: What is the function of this new instrument? And he will answer: It is a great stabilizer of earning power.

There are widespread groups of financial authorities who spend most of their time worrying about higher interest rates and worrying about the effect on market value of portfolio. I am not here to predict interest rates; I do not know of anybody who can truly predict them, but I gravely doubt whether the Government is going to be willing to pay the commercial banking system more than about a $1,000,000,000 a year for banking services in connection with the debt.

In the post-war world, what will a Government portfolio look like? To sharpen the question let us pick a particular year, say 1947.

In a typical well-run bank, outside a few of the largest cities, the average of maturities will be slightly longer than now and will be in the neighborhood of a little over five years. The proportion in longer maturities will have increased slightly.

The average rate of return on total investment will be about 1.75%. If the actual yield on a five-year obligation is 1.5%, the return on a portfolio averaging five-year maturities will be not 1.5 but about 1.75%. This automatically has to be true for a bank which adheres to revolving maturities in the present pattern of interest rates. In other words, with interest rates standing still, rate of return on portfolio will increase considerably in a spaced maturity program.

Will presently outstanding 2% bonds of 8- to 10-year maturity be above or below par in 1947? I think they will be at par or above, because five-year money would have to tighten to above 2% as against 1.5% now in order to put them below par. That much tightening is unlikely.

Commercial Loan Demand

Seven billion dollars is the increase in commercial loans above pre-war needed to finance post-war recovery and re-employment of labor.

The comparisons with other years are as follows:*

Total Outstanding

1939	$10,400,000,000
1943	12,300,000,000
Post-War (1947?)	17,000,000,000

*As used here, commercial loans include all loans except those classed as security loans and "other" loans. The figures relate to all banks, excluding mutual savings.

Thus the post-war level of commercial loans is expected to be about 70% above pre-war and about 40% above the present level. This target should be reached within one to two years after the war is over with Japan as well as with Germany.

The country is flooded with post-war planning. Everybody is telling industry what it must do in order to provide full employment after the war. I am merely saying that the bankers of the country will have done their part in meeting the post-war challenge by supplying loans of $5,000,000,000 in addition to the amount now outstanding, which means bringing them to a level of 70% above the pre-war level of 1939. This is the job expected of banks.

More than a third of the increase will take the form of consumer credits, either as direct loans to customers or as loans to credit companies.

In the popular thought of the day on this subject there are two extreme schools of thought. The first stresses the sharp increase in cash balances of corporations, the report that corporations own 70% of the increased demand deposits and in general the cash-rich position of industry. This line of thought leads to the theory that corporations will have no need for additional loans after the war.

The second school of thought goes to the opposite extreme. It uses the working capital shortages of war businesses, such as aviation and shipbuilding companies. It points to the problems of termination of contracts and to the fact that some companies will have working capital equal to only two or three weeks' payroll. It sees all of the marginal and sub-marginal situations in industry. As a result, this school envisions tremendous demands on the banks and worryingly asks: Where is the money going to come from? Suggested needs run into fantastic figures.

It is my belief that neither of these extreme schools of thought is on the right track. They single out one feature of the whole problem and push it too far. The truth is somewhere in between such extremes, and therefore I trust that the calculations herein submitted are down-to-earth and realistic.

Of what practical value are such calculations to an individual bank? I realize the difficulties in trying to answer this question. Greatest of these is the differences between individual banks. Obviously the small country bank up-State is in a position very unlike that of a big New York City institution. Banks in some of these highly stimulated war centers face problems different from those confronting banks in towns and cities which have actually lost population during the war. In the main, New York State has in this respect a far less serious problem than has California. Also, there are sharp differences between individual banks in initiative in going after loans.

Nevertheless, I suggest an approach: Set up a target to shoot at—loans to commerce, industry, agriculture, and consumers in the second post-war year 70% above December, 1939. Regard this as the bogey, the objective. Then adapt and modify this general target by study of local conditions. In making such a study don't exaggerate your individual departure from the average. There is a temptation to make excuses for an individual's failure to come up to the average, to develop an alibi for not being able to set up an objective as high as the other fellow's.

This temptation is especially easy to accept if you are a country bank. A great many country banks have had loans paid off during the war. People have tried to get out of debt. With farm prices high, many borrowers have for the first time seen a chance to pay off their obligations. The loans paid off bore a much better rate of interest than can be obtained from Government bonds. In many cases competition of Government-subsidized credit agencies have been serious. But why enumerate further?

As soon as farmers can buy again, without restriction, trucks, tractors and equipment of all kinds, they will be eager to take advantage of the opportunity. Many returning soldiers will want to start in normal life again by going back to the farm, and they will seek financial aid. Thus there are dynamic possibilities ahead.

Moreover, every rural community is sure to be a center of unprecedented activity in durable consumer goods. There will be a period in which new automobiles will be produced at the rate of about 6,500,000 cars per year. Electrical appliances of all kinds will be turned out on a similar scale. Local dealer organizations will have to be rebuilt. Demobilized soldiers will want to reopen their little shops and small businesses of one kind or another. All of this spells potential bank accommodation. The situation looks far more dead today than it really is, and it will come to life with a bang when the war is over.

Loans and Employment

A study of history shows that most post-war periods have found bank credit used to finance speculation. The coming post-war period will be judged by the degree to which bank credit is used to finance employment.

After World War I substantial amounts of bank credit were used to finance speculation in commodities, in farm lands, and in foreign loans. In later stages of that post-war period bank credit was used to finance speculation in common stocks.

If history repeats itself there will be strong temptation after this war to extend bank credit in directions which feed speculative appetites. The lines of speculation may be different from those in previous post-war periods. The temptation should be resisted at all costs.

In the coming peace banking will be judged by the extent to which it aids in the creation of jobs for men returning from the armed services and for men returning from war plants. Directly banks cannot contribute a great deal to reemployment of labor because the number of persons on their own payrolls will be limited. Indirectly the banks can contribute a great deal to employment throughout all industry by making credit available where it is most needed for an employment purpose.

The acid test of post-war loans will be whether they help to avert the threat of a great wave of unemployment. The banks should advertise to the public that they are doing everything in their power to meet this test. The emphasis in public relations should be that loans help to create jobs. If this idea is properly presented to the public there will be a strong public opinion in support of private banking.

There is some danger that such a program may result in the financing, not of true employment but of inflated wage rates and inflated labor costs. If that were to be the result, bank credit would again be serving the purpose of financing speculation, this time speculation in high wage rates rather than high commodity prices or high common stock prices. The protection against this danger in the coming post-war period would seem to be careful discrimination by banks between high-cost and low-cost borrowers. Loan accommodation should favor producers and merchants who are trying to lower the cost of living.

Ins. Stocks Interesting

The Mackubin, Legg Casualty Index registered an increase of 2.3 points for the month of December and 16.6 for the year. Copies of this interesting Index, containing a comparative chart of the action of fire and casualty stocks, with a table of high, low and closing bids for 1943 and net year end changes 1942-1943 for 82 insurance companies, may be had upon request from the Insurance Stocks Department of Mackubin, Legg & Co., 22 Light Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges.

Lt.-Gen. Vandegrift At NYSE Bond Rally

Lieutenant - General Alexander A. Vandegrift, Commandant of the United States Marine Corps, recently returned from the Southwest Pacific where he led the Marines in the Bougainville invasion, was the guest of honor at a Fourth War Loan rally on the floor of the New York Stock Exchange on Tuesday, Feb. 1, at 3 o'clock. Arrangements for the rally were made in cooperation with the War Finance Committee of the State of New York.

General Vandegrift told those who attended the rally that "We are moving into position to converge on Japan from all directions; the actions we have taken —and are taking at this very moment — are preliminary to the main operation; the actual converging is far from being in full swing."

Emil Schram, President of the Exchange, reported that in the eight business hours up to 5 p. m., $104,000,000 of Fourth War Loan bonds had been sold by the Stock Exchange community. Total sales by the community for the drive to date, he added, exceeded $500,000,000. The day had been set aside as New York Stock Exchange War Loan Day. On the occasion of a similar rally in the Third War Loan, the Stock Exchange community turned in sales of $55,338,870; for that drive its sales aggregated $1,040,037,518. Also participating in the rally were Joseph A. Bower, Director of the Banking and Investment Division, War Finance Committee of New York State, and Wm. Randolph Burgess, Chairman, War Finance Committee of the State of New York.

The floor of the Stock Exchange was appropriately decorated for the rally, featuring a 50-foot American Flag suspended from its lofty ceiling and music was provided by the U. S. Army Band from Fort Jay. Conrad Thibault sang the National Anthem, which commenced the rally at 3:05 o'clock, and The Marine Hymn. The Creed of the Rifle was delivered by Marine Sergeant Dana N. Babcock.

Preceding the rally on the Exchange floor, the 786th Military Police Battalion from Governor's Island presented a precision drill in Broad Street. The highlight of this colorful drill was the presentation of the colors to the battalion by Juliette Foster, a Stock Exchange page girl, whose father, Col. Valentine P. Foster, U. S. Army, in command of Fort Hughes, Fort Drumm and Fort Frank at Corregidor, was captured by the Japanese.

FDR Urges Cities Plan Public Works

President Roosevelt in a message to the United States Conference of Mayors in Chicago, urged on Jan. 19 that planning be undertaken now by State and municipal authorities to supplement the national program of post-war public works.

The President's message said:

"The Federal Government can and will plan great national programs to aid veterans, to create employment for those leaving war industries and to meet the new problems of the post-war world.

"We must get as many worthwhile projects as possible fully planned from initial study to final blueprints so that as war production ends these projects can be activated to take up the inevitable slack in the industrial field as manufacturers change over from war to civilian production. To supplement the national program, special work must be provided where possible by State and municipal authorities."

Will Deposits Decline?

(Continued from first page)

deflation might take place (unless by handing the money back to the depositor so as to liquidate the banking busines, or through the sale of bank stocks by the billions). Are they likely to be operative after the "duration"?

Voluntary Liquidation

A voluntary liquidation of **loans** on any major scale is most unlikely to happen. Why should the banks want to get rid of their loans unless to exchange them for other and more lucrative assets? "Slow loans" were eliminated some time ago, and the commercial portfolios are supposed to be on the whole in excellent shape. The banker has no interest in losing earning assets which are reasonably liquid and of good quality. As a matter of fact, an expansion of the credit business rather than a retrenchment is to be expected.

To some extent, the same holds for bond portfolios as well. The banks will keep at all times a considerable part of their assets in the form of short-term government paper as a quick asset, and of medium or long-term certificates as an investment. True bond portfolios totalling almost $70 billions—more to come!—are disproportionately large from the point of view of rational banking policy. The desire to reduce them is most likely to arise, if it has not arisen already. But could the liquidation of bonds take such dimensions as to affect seriously the deposit volume? Inasmuch as the banks would rid themselves of bonds and use the proceeds to lend money on commercial accounts, the change in the composition of assets would leave the deposit volume unaffected. The same holds for a shifting of portfolios from one bank to another. In other words, a reduction of the deposit volume can be expected only if the proceeds from the liquidation of bonds are kept in cash.

But who would give the banks the cash in exchange for their portfolios? Could they be sold (without losses which might wreck the banks) to the public? After the war the public will be pretty well saturated with savings bonds and similar paper. As it is, up to 20% of the currently subscribed war bonds flow back to the Treasury. All indications are that after the war, the investor will be inclined to cash in on them rather than to buy more. By that time, it will take a very **substantial raising of the interest rate** to make large issues of bonds palatable to the investing public. Disregarding minor changes in the make-up of the national debt, it is most unlikely that tens of billions will be converted, in the visible future, into obligations of a considerably higher yield, so as to permit their shifting from the banks to the public. But any attempt to do so would not only greatly increase the Treasury's burden in servicing the debt. It may actually compel it to convert the total national debt to higher rates, and to create critical disturbances in the capital market.

Forced Liquidation

Nor is it possible that either the Treasury itself or the Federal Reserve System would be able to absorb the shock of a major bond liquidation. Treasury deposits, large as they may be at the close of bond campaigns, will not be available for debt retirement. How much more tax revenues can be squeezed out of individuals and corporations, so as to permit the repurchase of bank-owned bonds in measurable quantities? It is even doubtful, in view of the vast post-war commitments at home and abroad, and in the face of the growing pressure toward reduction of tax rates, whether an early balancing of the federal budget will be accomplished.

As to the Reserve System's ability and willingness to take over the bonds from the banks, the shock might turn into a financial earthquake if the central bank embarks on "money printing" on such a vast scale as would be necessary for the purpose. Already, its portfolio has been inflated to $11 billions, and its reserve ratio reduced to little over 60%.

Theoretically, the authorities could force the banks to unload, such as by raising the reserve requirements. In practice, they can neither force liquidation, nor even permit it to happen. With little prospect of an early balancing of the budget, with an over-strained tax machinery, and with an overloaded Reserve System that needs unloading itself—bank portfolios as a whole have to stay after the war where they are. That means that bank deposits will remain where they are, too, unless the public asks for their conversion into cash, and is permitted to do so.

Paying Out Deposits

Deposits may vanish into cash if the depositor so wishes. The unprecedented hoarding of legal tender during the war has slowed down, by many billions, the rate of increase of bank deposits, and the question is whether this hoarding of cash will continue after the duration.

Of course, the public propensity to hoard and dishoard is unpredictable. But there are some fundamental factors at play which it is reasonably safe to gauge. In the first place, the record volume of cash in circulation (increased in 4½ years from $6 billions to well over $20 billions) is functionally related to the doubling of the national income in the same period. The higher the paid-out national income, the larger percentage of it is "saved," especially in war-time; the less money is being spent, the more is likely to "stick" to the pocketbooks. As soon as we stop inflating the national income, there should be no further automatic increase in the volume of cash hoarded.

Moreover, war-psychology is inducive to cash hoarding, for motives as irrational as ancient. With the ending of the war, such motives are bound to subside, with at least some amount of dishoarding to follow. The dishoarding may be further enhanced by the back-flow of dollar notes held in foreign countries, unless runaway inflations abroad should cause more export-demand for dollars.

Other elements influencing the magnitude of hoarding, such as the shifting of the working population from and to industrial areas, the increased use of cash due to the growth of illegal (black) markets and to inheritance tax-evasion, etc., may or may not change, but they are not likely to be more effective after than during the war.

War, revolution, run-away currency inflation, and financial panic are the four conditions under which great changes in the hoarding habits occur. It should be axiomatic that all four are ruled out for post-war America. A run on the banks, in particular, is ruled out under circumstances when their assets consist overwhelmingly of cash and of government paper that is eligible for rediscount. In short, there is good reason to assume that cash in circulation—outside the banks—will not continue to increase once the national income stops rising. A decline of the national income, on the other hand, need not affect the deposit volume at all, while it is likely to bring about some dishoarding.

Deposits To Stay

All of which adds up to the conclusion that, by and large, the **total** deposit volume is likely to maintain the high level which it will have attained by the end of the war period, or more precisely, by the end of the era of deposit-inflation. (Presumably, it will be a much higher level than the present one.) This future stability presupposes two things: that the national budget will then be balanced, and that the vast amount of purchasing power in process of being accumulated will be kept more or less under control. Otherwise, the deposit volume would continue rising.

The long-run stability of deposits refers to their total quantity, not to their distribution between regions and localities. Obviously, the reshuffling of the national economy into peace-time occupations, and the consequent geographic dislocations, cannot fail to alter the relative position of individual banking centers. New York is likely to gain corporate as well as individual deposits, but might lose bankers balances. With the return to economic normalcy, the West Coast and similar areas of wartime prosperity will lose financially as well as industrially.

The banking system as a whole stands to benefit by the stabilization of a greatly magnified deposit structure. But the price it will have to pay for it will consist in **holding the government bonds,** short or long paper, **in a practically permanent fashion.** That does not mean necessarily an administrative "freezing" of the institutional portfolios. It all may work in a more or less voluntary fashion, under the guidance (and pressure) of the central bank. Whenever the banks will be called upon to pay out, the facilities of the Reserve Banks may be made available. Bonds will be paid on maturity, provided the institutions repurchase new ones. The technical liquidity of the system need not be affected, nor its solvency. But it will have to be "co-operative," by avoiding every major attempt to liquidate bonds, and by restricting commercial credit activities so as to avoid the need for the liquidation of bonds. In other words, the functional change in banking that developed since the great depression, changing the banks from overwhelmingly commercial to predominantly investing (bond-holding) institutions, is likely to stay with us "for good."

The CHRONICLE invites comments on the views expressed by Dr. Palyi, in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, "Commercial and Financial Chronicle," 25 Spruce Street, New York 8, N. Y.

Attractive RR. Situation

The current situation in Minneapolis & St. Louis Railway Co. (a new company) offers interesting possibilities according to a circular issued by A. A. Bennett & Company, 105 South La Salle Street, Chicago, Ill. Copies of their study of the situation may be had upon request from A. A. Bennett & Co.

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Mutual Funds

A Misnomer

For years this column has been written under the heading, "Investment Trusts." That is a misnomer. The companies with which this column is mainly concerned are open-end funds with redeemable shares. They are the "mutuals" of the investment company field.

Mutual investment funds operate on the same principle as mutual savings banks and mutual life insurance companies in that they provide the facilities for a large number of people to join together in a MUTUAL enterprise for the attainment of specific investment objectives. Because of the "public" nature of these funds and their growing importance in the investment field, they have understandably become subject to increasingly careful State and Federal regulation.

While it is too early for the mutual funds as a group to have achieved the state of venerability and public confidence now enjoyed by the mutual savings banks and mutual life insurance companies, it is not too much to hope that a further period of seasoning will win for them such recognition. A continuing purpose of this column is to make whatever contribution it can toward the achievement of that goal. In the interest of clarity therefore, the heading has been changed from "INVESTMENT TRUST" to "MUTUAL FUNDS."

* * *

Before leaving the subject of mutual funds, as differentiated from the heterogeneous group of companies known as investment trusts, we should like to make reference to an article which appeared in the "Chronicle" three weeks ago under the heading "Are Investment Trusts Asleep?"

While we do not feel either qualified or obligated to answer the thesis of that article with respect to the closed-end investment trusts, we would like to emphasize the point that it had no application whatever so far as mutual funds are concerned. And we might add that, far from being asleep, no segment of the American financial community is more aggressively wide awake than are the managements of the leading mutual funds.

* * *

Tenth Anniversary

On Jan. 12, 1944, **Group Securities, Inc.** completed its tenth year of operation. **Distributors Group, Incorporated,** the sponsor of this fund, reports that Group Securities, Inc. now has assets of over $20,000,000 and shareholders numbering more than 10,500.

Last year was the best in the company's history. "Total sales of all classes of Group Securities last year amounted to $12,348,402. This volume was achieved by 299 investment dealers and brokers. For this job of distribution they received a total compensation of $750,619.

"Sales were over three times as great last year as in 1942 and approximately twice as many dealers participated in the distribution of shares."

The record of Group Securities, Inc., particularly the rapid growth last year, adds another sterling performance to the growing list in the mutual fund field. We take this occasion to congratulate Group Securities, Inc. and

(Continued on page 513)

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Subsidies And Price Control

By C. NUGENT WEDDING*

The highly controversial subject of subsidies is a question which should be of great interest to Americans at the present time because of the possible far reaching effects of the use or misuse of these monetary outlays.

The purpose of this brief discussion of this pertinent subject is (1) to show what subsidies have been and are now being used in the United States; (2) to present the most frequently heard statements in favor of and objections to the use of subsidies; (3) to attempt to evaluate these points in the light of our present wartime emergency.

Present Uses of Subsidies

Subsidies have been used in the price control programs of Great Britain, Canada, Australia, New Zealand, and Germany with a success which, according to officials of these governments, justifies their continued use. And in spite of Congressional debate on the subject and general opposition to a subsidy program, subsidies have also been and are being widely used in our own country. According to "Business Week," 16 wartime subsidies amounting to an annual expenditure of $720,000,000 a year were in effect by May, 1943.[1] These direct payments and absorptions by the Government include expenditures for increased transportation costs on sugar, coal, and gasoline; insurance premiums on transportation of coffee; premiums paid for production of high-cost copper, lead, and zinc; subsidies on cheese production, oilseed crushing and processing.[2]

The first subsidy to compensate for proposed wage increases was authorized June 11, 1943, by the Office of Economic Stabilization.[3] This was a subsidy granted to vegetable packers of four vegetables: canned green peas, snap beans, sweet corn and tomatoes. Previously ordered subsidies had been based on increased costs of materials or transportation, or the encouragement of production. These war subsidies are being paid for principally from funds of the Commodity Credit Corporation at a cost of approximately $5,000,000 a year. In describing the action Vinson says: "The program will maintain fair and equitable returns for the canning industry, at the same time preventing increases in the consumer prices of essential cost-of-living items."[4]

In regard to the subsidy paid to producers of copper, lead and zinc, this subsidy is not an across-the-board payment to all mining companies producing these ores; it is paid only to those marginal producers whose output is necessary to provide an adequate supply of these minerals for war production. The alternative to these subsidy payments, if these mines are to continue production, is to permit the price level of these essential minerals to rise to a point sufficiently high to enable all necessary producers to operate at a profit. This premium price plan for copper, lead and zinc has been operating since February, 1942. According to Office of Price Administration estimates, the Government saves at least $28 for every dollar spent through the use of the copper subsidy.[5]

Needless to say, most of those individuals objecting to a subsidy program are not referring to this type of subsidy when they voice their protests. The subsidies discussed thus far have been accepted with little or no opposition. The use of subsidies as a principal device to "hold the line" with respect to the cost of living is a subject of much greater controversy.

In Support of Subsidies

The advocates of the use of subsidies on food and other cost of living items maintain that, in addition to incentives to farmers to increase their production, to produce certain much-needed items in preference to others, this method is less inflationary and more equitable than if a general price rise were permitted with the consequent demands for higher wages; and payment of subsidies is less costly to the Government, largest consumer in wartime, than a general price rise would be.

In a statement comparing the costs of price rises and subsidies to the consuming public, Leon Henderson, former Price Administrator, said: "It (a price rise) will cost two or three times as much as subsidies, but the big item is that since it adds to the cost of living then that will become a claim on the part of wage earners for an increase in their wages, and that will in turn lead, unless it is restrained, to a demand for an increase in price, and we would be in the inflationary spiral."[6]

Also, in support of subsidies: "The great advantage of incentive payments is that they encourage production of needed farm products without an accompanying price rise of those products. The marginal farmer whose costs are high and the farmer who, lacking a monetary inducement, would grow some less essential crop, can be brought into a Government's production program by a relatively small outlay of public funds."[7]

In a radio debate on food subsidies Richard V. Gilbert, Economic Advisor to the Office of Price Administration, pointed out that the Government will spend $100,000,000,000 in the fiscal year 1944 and that the prevention of a 1% rise will mean an annual saving of $1,000,000,000 to the taxpayers. It takes much less than a billion dollars in subsidies to prevent a 1% price rise.[8]

In Opposition to Subsidy Program

The opponents of the cost-of-living subsidy contend that it is inflationary. If the subsidy accomplishes its purpose and actually does reduce the cost of living by a billion dollars, for an example, at a cost to the Government of one or two hundred million, have they not directly contributed to widening the inflationary gap by giving consumers $1,000,000,000 additional purchasing power?

They also contend that because of the high level of employment and the greatly increased purchasing power, consumers are well able to stand rises in the price level.

Dr. Lewis Haney, Professor of Economics at New York University, in favoring price rises and opposing subsidies, has stated: "In the first place, note that subsidies do not help prevent inflation. They merely change the form of inflation. Instead of paying higher prices for, say, clothing, we pay higher prices for the Government activities in subsidizing the clothing manufacturer. In one case, the prise rises enough to cover the increased costs of production, and you and I pay when we buy a suit or a coat. In the other case, our taxes are raised, and we are forced to give or lend more money to the Government so that it can pay large subsidies to producers who can't make money at lower fixed prices. In the second place, the subsidy does not 'hit the spot' as the price rise does. Everybody who is a taxpayer or bondholder has to bear the cost of the subsidy. Only those who are buying the particular product bear the rise in its price."[9]

Eric Johnston, President of the United States Chamber of Commerce, who has been one of the most outspoken critics of the subsidy program, says: "I have always been a strong advocate of parity for farmers in the nation's price structure. On the other hand, I am just as firmly opposed to Government subsidy for farmers — or for businessmen or for labor—for a string is attached to subsidies by the Government. . . . The string is State domination of the business which accepts subsidies, including very definitely the business of farming."[10]

Their danger to free enterprise is pointed out by Paul S. Willis, President of the Associated Grocery Manufacturers of America:

"The food industry is unalterably opposed to subsidies. There are many cogent reasons why we don't want subsidies. The most important is that subsidies are in direct conflict with the American system of free enterprise. They are a hidden method of collecting money through taxation which Mrs. Housewife pays anyway. They are no saving to the public. On the contrary, they involve the enormous added expense of administration. Subsidies involve long and uncertain delays in handling by Government bureaus. They open the door to favoritism and inequities, and they stifle individual initiative and efficiency."[11]

Evaluation of Subsidy Program

In an attempt to appraise the value of subsidies in a program of wartime price control, it may be well to begin by looking briefly at the Canadian experience with subsidies. The Canadian experience is more comparable to our own situation than is that of Great Britain, as Lend-Lease food shipments to Great Britain have been of great aid in stabilizing the British cost-of-living and reducing the annual subsidy cost.[12] The Canadian Wartime Prices and Trade Board spent $65,161,507 in import and domestic subsidies between its inception on Sept. 3, 1939, and March 31, 1943.[13] Subsidies are paid, "In the interests of the consumer—when there is no other way of ensuring adequate supplies of a particular product for the consumer at prices permitted by the price ceiling," Finance Minister Ilsley told the House of Commons on April 23, 1942.[14] In the absence of subsidies to reduce food prices the cost of living would have risen, and under the Canadian system, a cost-of-living bonus to wage earners would have become necessary.

While we have no such cost-of-living bonus in the United States, the threat of demands for increased wages is likewise closely linked with the price level. If prices are permitted to rise, wages and other incomes will have to be adjusted to the increased cost of living—labor unions will see to that. It is generally realized and admitted that the greatest labor crisis will come between now and the end of the year. The recent coal mine crisis and its settlement, through a wage increase, bears this out. The American Federation of Labor, the Congress of Industrial Organizations, and the Railroad Brotherhoods jointly demanded on last April 29 that there be, "Immediately put into effect, without qualification, compromise or exception, a vigorous price policy to the end that the cost-of-living be rolled back to May 15, 1942."[15] This joint demand was in reality an attack on the "Little Steel" formula.[16] The Congress of Industrial Organizations continued this attack in their recent convention at Philadelphia where, on Nov. 3, they passed a resolution demanding the scrapping of this wage restriction. The resolution said that a rollback of prices had not been fulfilled and that, "It has become necessary to eliminate the so-called 'Little Steel' formula which, particularly in view of the rise in the cost of living and the added burdens on the workers, is no longer in accord with reality."[17]

In addition to these demands that the War Labor Board lift the restrictions on wage increases, the rise in parity prices would require an increase of ceilings on farm prices and this would result in an increase of farm income. The increase of incomes resulting from these adjustments would give consumers far greater purchasing power than would be absorbed by the higher prices themselves and would be far more inflationary than would be the additional purchasing power left in the hands of consumers by the use of a cost-of-living stabilization subsidy. Nor, obviously, would this "round" of general increases stop of its own accord. An increase in one factor leads to increases in every other factor involved and would give an immense impetus to the inflationary spiral, already started, leading toward runaway inflation. This is in direct contrast to those opponents of a subsidy program who say that subsidies do not help prevent inflation—they merely change its form. Subsidies help in preventing inflation if they prevent a rise in the general price level and forestall demands for wage, salary and farm parity price increases.

Nor, as is intimated by some writers, has the increased national income been distributed equitably among all classes of people. An Office of War Information release states that there are approximately 20,000,000 people in the low and fixed income groups already hurt by rising living costs. Of these, 9,000,000 are dependents of men now serving in the armed forces of the United States; 2,200,000 are aged persons on State public assistance rolls; and another million are disabled veterans drawing pensions or disability compensation; or widows and dependent children of veterans.[18]

The "Christian Science Monitor" gave warning last February of this danger. "The cost of food even now seems pretty high to those workers who haven't benefited by wartime wage increases and who have to pay more in taxes. There are many non-defense workers and persons living on limited incomes who find the price increases deemed fair by farmers a real hardship. Government has to think about them before it lifts ceilings as the opponents of subsidy desire."[19]

Less frequently voiced but worthy of consideration is the contention that subsidies can be used to prevent a pushing through of price ceilings when used in conjunction with other adequate methods of price control, wage control and rationing. And if a real price "line" can be established and maintained by these methods, the whole anti-inflation program would be strengthened and enforcement simplified, as the average housewife would then know that the price of a certain article of food in a retail store of Group No. 2 is, and will be indefinitely, for example, 25 cents.

There are certain fundamental criticisms of the subsidy program which should be given due consideration both by Congress and the Administration. It is contended that it will be difficult to get rid of subsidies once we have them; that they will be subject to political abuse; and that they will lead to centralized power and political control. Since there is a tendency for them to destroy initiative and promote inefficiency, they are also characterized as un-American.

A further distinction between the types of subsidies arises in connection with the statement above that subsidies once installed may be difficult to remove. In the case of the cost-of-living stabilization subsidy, political groups or blocs may bring pressure to continue certain of these subsidies far beyond the time when there is any actual need for these payments. In this respect they resemble another type of subsidy, namely the tariff, imposed originally to protect infant industries; these industries, after tasting the benefits of this protection, showed a reluctance to develop beyond the infant stage. They have been perpetuated and seem to have become a permanent part of our economic system. This criticism may not hold in the case of the subsidy on copper, zinc and lead, or the payments to cover the higher insurance costs on shipping coffee. We may assume that these subsidies will cease automatically of their own accord when the need for them ceases with the end of the war.

There is also another important difference between these two types of subsidies, as to the difficulties of administration of the copper subsidy, for example, and the subsidy on butter and cheese. In the one instance the payments are made to a relatively few large mining companies which can be dealt with on a personal and individual basis; in the latter examples the payments must eventually find their way to thousands of independent dairy farmers. Doubtless a great many objections ostensibly aimed at other points in a consumer subsidy program have as their real foundation these administrative difficulties.

Conclusions

We are, considering all factors, looking for the most effective method of price control during a war period. We are not working out a permanent pattern for future economic policy. The use of subsidies can be amply justified, purely as a wartime emergency measure, if they enable us to establish and maintain a price "line," forestall demands for wage and salary increases and rises in farm parity prices, prevent undue hardship on the fixed income group, and reduce the cost of Governmental purchasing. These objectives can be accomplished with the aid of an efficiently administered subsidy program. However, it should be fully realized and emphasized that subsidies in themselves are not a complete solution to the problem of inflation. They are merely a valuable adjunct to other direct and functional price controls and should be used in connection with and to complement rationing and the use of ceiling prices; and certain functional controls aimed at reducing and absorbing excess purchasing power such as a strong taxing program, Governmental borrowing through the sale of war bonds or some form of compulsory savings; stabilization of salaries, wages and farm prices; and stronger controls and restrictions on consumer credit than those now in effect under Regulation W of the Federal Reserve System. If these other controls are not carefully and effectively enforced, subsidy payments can be a definite inflationary force, as subsidy payments would increase progressively as time goes on.

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*Mr. Wedding is Instructor in Marketing and Finance, The School of Business Administration of Miami University, Oxford, Ohio.

[1] "Business Week," May 22, 1943, p. 16.

[2] "Commercial and Financial Chronicle," June 17, 1943, p. 2204.

[3] "Commercial and Financial Chronicle," June 17, 1943, p. 2294.

[4] "Ibid," p. 2295.

[5] "Role of Subsidies in a Stabilization Program," OPA Release, June, 1943, p. 6

[6] Henderson, Leon in U. S. Congress. Senate Committee on Appropriations. First Supplemental National Defense Appropria-

Bradford Smith Sees 'Unparalleled' Future For Fire Business

Unparalleled opportunities are ahead for insurance agents in the fire insurance field, according to Bradford Smith, Jr., Vice President of the Insurance Company of North America. In a forecast of the future, published in the January issue of "The North America Fieldman", Mr. Smith writes:

Bradford Smith, Jr.

"The tremendous backlog of demand for new homes, new automobiles, new refrigerators and all types of durable consumer goods will create unparalleled opportunities for the insurance agent. Money for the replacement of these requisites of living will be harder to accumulate and their owners will realize the value of insurance to protect their possessions.

"Not until every existing piece of property—either real or personal—is fully covered against all hazards can we say that opportunity in the property insurance field has been fully exhausted. Not until the future needs of an expanding economy give no promise of further development! Not until every want of every family has been satisfied and scientists have ceased to create new devices, new luxuries, new treasures that people want to possess and have the means to buy, can we consider the job done. And, remember, new devices create new hazards.

"The public will absorb all you can find time to sell. Individual customers whose property has been properly protected may no longer be prospects during the term of their policies—but, the market for insurance will never be satisfied as long as men and women marry, have children, buy homes and fill them with furniture which retailers must stock and manufacturers must make.

"The present offers many opportunities for the sale of fire insurance. The future will expand that opportunity to unprecedented proportions. You are in a business that is not curtailed, rationed or restricted by the war except in so far as the manpower shortage affects your ability to see prospects. Efficient organization of time and hard work will overcome that obstacle.

"The year 1944 offers Fire Insurance producers an unlimited opportunity for new business and new premiums. All you need to do is to grasp it!"

FHA Adopts Anti-Inflationary Policy In Insuring Mortgages On Existing Homes

With real estate prices rising sharply in many areas because of wartime market conditions, the Federal Housing Administration emphasized on Jan. 8 that it is refusing to recognize inflated market prices in insuring mortgages on existing home properties.

"The FHA's long-standng policy has been to base its valuation of existing homes on long-term stabilized values, without regard to short-term fluctuations in market price," FHA Commissioner Abner H. Ferguson said. "This valuation in turn is one of the factors determining the maximum amount of mortgage which the FHA will insure on such properties," Mr. Ferguson added.

"In accord with this policy, FHA field offices are not accepting current price increases in their valuation of existing home properties in localities where real estate prices are now rising rapidly, and FHA valuations are not exceeding estimated market prices during the last period of stabilized price levels."

He pointed out that despite the FHA's refusal to recognize current price increases in its valuations, the FHA's volume of insurance on existing homes during 1943 showed little or no change from 1942 levels. This reflects widespread confidence in the soundness of the FHA insured mortgage plan on the part of home buyers and lending institutions, he said.

The FHA's valuation procedure is essential to the economic soundness of the insurance of long-term mortgages under Title II of the National Housing Act, Mr. Ferguson said, and also affords protection to buyers financing home purchases under the FHA plan against assuming a mortgage debt out of line with the long-term value of the property and hence subject to possible deflation when more normal market conditions return.

Mr. Ferguson emphasized that the FHA's valuation policy is not frozen to any fixed level of prices and recognizes long-term adjustments in the general price level. He further stated:

"However, our position is that sound mortgage practice by lending institutions and sound mortgage insurance practice by the FHA must be geared to the long-term nature of the commitments made. If mortgage financing is made available on the basis of valuations keyed to short-term price increases, the result will not only countenance but also encourage unduly high prices and the development of a runaway market."

Another anti-inflationary safeguard in the FHA's insurance procedures, Mr. Ferguson said, is the rule that where no change in ownership of an existing property is involved, an insured mortgage to refinance the owner's existing debts shall be limited approximately to the amount necessary for the refinancing of existing liens, other obligations contracted in connection with the property, repairs, alterations, and additions to the real estate, and cost incident to the refunding operation such as title search, recording fees, and similar items. The advices from the FHA further state:

"In 1943, the FHA insured Title II mortgage loans of approximately $202,000,000 on close to 45,000 existing home properties. Since the start of the FHA program in 1934, the FHA has insured mortgages of close to $1,700,000,000 on more than 400,000 existing homes. These are in addition to mortgages of approximately $2,800,000,000 insured on new homes under Title II prior to the wartime shifting of new home mortgage insurance to the Title VI war housing program.

"Congress recently extended the FHA's authority to insure mortgages on existing homes under Title II to July 1, 1946, from the previous expiration date of July 1, 1944, thereby enabling the FHA to continue operations in this important phase of the home mortgage market and to help stabilize values in this field," Mr. Ferguson pointed out.

"Insured mortgages on existing properties may cover up to 80% of the FHA valuation and may run for a long as 20 years. As is the case with all Title II home mortgages, interest charges may not exceed 4½% of reducing balances, plus the FHA insurance premium of ½ of 1%, and the mortgages are retired by equal monthly payments, covering interest, amortization of principal, taxes, hazard insurance and FHA premiums."

Asks Lighter Weight Papers Be Duty-Free

A proposal to permit newsprint of lighter weight to be imported duty-free for the duration of the war is contained in the new tax bill now pending in conference.

This amendment, approved by the Senate on Jan. 12, was sponsored by Senator Vandenberg (Rep., Mich.) who said it was a conservation proposal to permit newspapers "to print on paper slightly lighter in weight, perhaps from a roll of narrower width, and thus maintain a larger measure of public information service in spite of the necesary limitation upon the over-all supply of necessary paper." He explained that the Tariff Act of 1930 permits importation, free of duty, of "standard newsprint paper", which under the Treasury's regulation makes paper dutiable if lighter than 32 pounds per technical unit, and, in the case of rolls, less than 16 inches wide. Mr. Vandenberg said in this event newsprint "is subject to a prohibitive duty." The amendment would reduce to 25 pounds the minimum weight of duty-free newsprint rolls and cuts the width to 14 inches. The Senator said the amendment was sought by the American Newspaper Publishers' Association and had the approval of the War Production Board.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Carl G. Freese retired from partnership in R. L. Day & Co. of Boston on Feb. 1. Mr. Freese made his headquarters at the firm's New Haven, Conn., office.

John C. Stewart withdrew from partnership in Hicks & Price, Chicago, on Jan. 31.

Frank A. Shea, member of the Exchange, retired from partnership in McMannus & Mackey, New York City, on Jan. 31. The firm continues as an Exchange member.

N Y Bank Stocks Compared

An interesting tabulation of comparative figures for leading New York banks and trust companies as of Dec. 30, 1943, has been prepared by the New York Hanseatic Corporation, 120 Broadway, New York City. Copies of this interesting table may be had upon request from the New York Hanseatic Corporation.

Invest in Victory

Buy FOURTH WAR LOAN *Bonds*

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Canadian Securities

It is decidedly encouraging to learn that the New York group of savings banks has appointed a committee, which after studying the law which governs savings banks in their purchase of securities, has brought in a report recommending the abolition of the legal list and the substitution of new legislation which would enable the savings banks to act as freely in the management of their bond portfolios as the life insurance and trust companies.

Such action has been long overdue. The legal list system is archaic, it cramps the initiative of the competent bond man and encourages blind reliance on the infallibility of the legal list. There are many bonds in the list which, on close examination, would doubtlessly be removed. On the other hand, there are many others outside the list which should certainly be included in the favored category. Among these are Canadian bonds, and should the present laudable attempt to enable the boards of trustees of savings banks to shoulder their proper responsibilities fail, the legal list should at least be drastically revised and the higher grade Canadian bonds should certainly be included.

A further encouraging development is the evidence of increasing interest in Canadian securities among the commercial banks. The recent private refunding operation of the Province of Manitoba resulted in three commercial banks in the Middle West taking up the entire issue.

It is understood also that banks in New York will actively participate in a forthcoming New Brunswick financing. In this case it is believed that the issue will be registered, which is a wise step, a the policy followed for many years by the various Canadian provinces of placing issues privately in this country has restricted the market here for their securities. On the other hand, public offerings would bring about a broadening of interest and, from the psychological point of view, there is no doubt that the commercial banks would seriously consider any new public issues of a suitable type and, in most cases, completely ignore private offerings.

With regard to the market, the constantly expressed confidence during a prolonged dull period has been fully justified. There has recently developed a steady buying interest and blocks of bonds of any size which appear for sale now are readily absorbed. During the past week there were important sales from Canada of Ontario and Manitoba issues, which were placed above the quoted markets.

Direct Dominions were firmer, with sizable bids appearing for the longer issues. Nationals were strong throughout the list, with the demand far in excess of the supply. Ontarios and Quebecs also showed improvement with a fair volume of trading. British Columbias, Nova Scotias and New Brunswicks were quiet but firm.

Following increasing confidence in the early settlement of the Montreal and Alberta debt situations, there was a steady demand for these issues at higher prices. Canadian Pacifics were also strong on the rumor of an imminent call for redemption of the 5s of 1954. Internal issues continued in steady demand and the Canadian dollar in the "free" exchange market hardened in consequence to 10¼% discount.

Looking at possible future developments, it can now be more confidently anticipated that the market as a whole will do better. There is increasing evidence that many investors and dealers who had kept to the sidelines during the recent dull period are now beginning to show renewed interest on the buying side of the market.

Van Vleck of Guaranty Heads NY Corp. Fiduciaries

A. Nye Van Vleck, Vice-President of Guaranty Trust Company of New York, on Jan. 24, was elected President of Corporate Fiduciaries Association of New York City. Mr. Van Vleck was formerly Vice-President of the Association. James M. Trenary, Vice-President of United States Trust Company of New York, was elected Vice-President of the Association, and E. W. Berry, Trust Officer of Manufacturers Trust Company, was reelected Secretary and Treasurer. The following were elected members of the Executive Committee: Boyd G. Curts, Vice-President, The New York Trust Company; Robert C. Effinger, Vice-President, The Irving Trust Company, and Longstreet Hinton, Vice-President, J. P. Morgan & Co., Inc.

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tion Bill for 1943, Hearings— on H. R. 7319 (77th Congress, 2nd Session), p. 27-28.

[7] "Washington Post" (Editorial) April 19, 1943, p. 10.

[8] "Washington Post," June 7, 1943, p. 7.

[9] "Commercial and Financial Chronicle," July 16, 1942, p. 186.

[10] "Nation's Agriculture," January, 1943, "The Future for the Farmer."

[11] "Business Week," Aug. 1, 1942, p. 50.

[12] The British Food Ministry sells this food at current market prices through the regular food distribution channels and applies the proceeds to subsidy expenditures.

[13] "Canada at War" (Canadian Gov't Release), June 1943, p. 9.

[14] "Ibid."

[15] National City Bank (Letter), June, 1943.

[16] The "Little Steel" wage stabilization formula limits wage rate increases to 15% above January, 1941, levels.

[17] "New York Times," Nov. 3, 1943, p. 33.

[18] "Commercial and Financial Chronicle," Aug. 19, 1943, p. 696.

[19] "Christian Science Monitor," Feb. 10, 1943, p. 3.

"Our Reporter On Governments"

By JOHN H. RUMBAUGH

The Public Debt, Past—Present—Future

Henry Morgenthau, Jr. succeeded the late William H. Woodin as Secretary of the Treasury ten years ago. . . . Prior to that he had been Under Secretary of the Treasury from Nov. 17, 1933, to Dec. 31, 1933, and on Jan. 1, 1934, became Secretary. . . .

He was Acting Secretary on Dec. 5, 1933 when the Treasury issued the 3¼% Treasury bonds of 1945/43 for cash and in exchange for called Fourth Liberty Loan bonds. . . . This issue was retired on its first optional date, Oct. 15, 1943. . . . The second refunding issue for retirement of Fourth Liberty Loan bonds was offered April 4, 1934, and known as the 3¼s of 1946/44. . . . This issue has just recently been called for payment on April 15, 1944. . . .

On Jan. 1, 1934, when Secretary Morgenthau took office, the interest bearing debt of the United States was $24,719,894,150, with a computed annual interest charge of $797,099,559. The average rate of interest was 3.225%. . . . However, in March of 1933, when William Woodin became Secretary of the Treasury, the interest bearing debt was $18,189,798,090, with an annual interest charge of $663,038,425 . . . The average rate of interest was 3.646%.

Just ten years from the date Henry Morgenthau, Jr. became Secretary of the Treasury the interest bearing debt was $170,805,115,907. . . . The interest on the debt for the fiscal year of 1943 was $1,808,160,000 and the average interest rate less than 2%. The decline in the average interest rate from 3.646% in March, 1933, to less than 2% by Dec. 31, 1943, was due to the exercise of interest rate controls and market support of Government securities through the Open Market Committee of the Federal Reserve Banks. . . .

THEN AND NOW

This control machinery was perfected under the regime of Henry Morgenthau, Jr. in spite of his vehement refusal during his role as head of the Federal Farm Loan Bureau to aid the market in Federal Land Bank bonds in the summer of 1933. . . . Our then very righteous Mr. Morgenthau is quoted as saying, "I'll have you know that this is not the Hoover Administration. . . . We are not interested in putting the market up on anything.". . . It was not very long afterward that he became Secretary of the Treasury and was instrumental in the purchase of hundreds of millions of Government securities through the Federal Reserve banks, certainly for no other purpose than to manipulate the market. . . . And today, the Secretary, the Under Secretary and more recently the President in his budget message have all proudly remarked about the manner in which the Treasury has financed its expenditures and the low average cost of the money borrowed.

On Jan. 13, 1944, the President predicted a public debt of $258,000,000,000 by June 30, 1945. . . . With a debt of that amount every ¼ of 1% advance in the borrowing rate creates additional interest charges of $645,000,000 per annum. . . . We can be thankful that the one time amateurs investigated Wall Street ten years ago and learned how to manipulte markets. . . . Give them credit, they are now masters of the art. . . . How else could the rate of 4¼% in the First World War be reduced to an average of less than 2% in this war and with a debt rapidly approaching ten times the amount of the First War.

CONTROLS NECESSARY

It is not the intent of the foregoing to criticize or condemn what has been accomplished. . . . The market and interest rate controls were facilitated by action such as making virtually any conceivable type of bank asset rediscountable at the Federal Reserve banks, removing payment of interest on demand deposits, lowering reserve requirements, removing reserve requirements entirely on depositary bank balances and eliminating Federal Deposit Insurance premiums on the same depositary bank balances, not to mention the power to create currency against Government securities. . . . Then, too, the Treasury is justified in its assertion that it should not pay more than current rates to borrow the money that it is actually creating. . . . Furthermore, it would be an impossible task to borrow upwards of $250,000,000,000 in a chaotic and uncontrolled money market. . . . To know that the power to control exists, even though necessary to demonstrate that power occasionally, lends confidence in our Government security market.

Banks of United States with 40% to 60% of all deposits invested in Government securities, feel entitled to know whether it is the intent of the "Managers" to indefinitely continue current rate objectives. . . . That question might be answered by almost anyone who is willing to analyze the composition of our present debt and without need of venturing whether or not there will be a change of administration next November. . . .

There has been wide-spread criticism of the Treasury issuing billions of savings bonds which represent demand obligations shortly after their issuance. . . . However, if you look at it from a market standpoint, there is very little diffence between Treasury and Federal Reserve willingness to buy in the open market unlimited amounts of Government securities to maintain rate objectives, and actual redemption directly from holders of these demand obligations. . . . Under Secretary Bell made a very good explanation of the Treasury's attitude toward these demand obligations in his speech Dec. 16th at Worcester, Mass. . . . In short he explained that redemption by the Treasury of these demand obligations would be concurrently taken care of by Treasury offerings in the market of the type of security that would meet proper market response. . . . It is true that in 1920 the market wanted short term paper rather than Liberty Loan bonds which at that time were considered long term paper. . . . As a result we saw Fourth Liberty Loan bonds sell as low as $82.54 per hundred May 20, 1920.

The Treasury should not overlook the necessity of putting on a real publicity campaign to have holders of war savings bonds keep them to maturity. . . . Many reasons, selfish or not, can be used to advantage in selling these bonds for permanent investment which are now admittedly being sold as a temporary mop-up of surplus buying power. . . . Of course these war savings bonds become a redemption threat the moment the Treasury pays higher than 2½% for its financing and refunding. . . . Upwards of $60,000,000,000 of such demand obligations are not an idle threat and that is the amount that quite probably will be outstanding late in 1945.

DEBT SERVICE BURDEN

Another and most potential argument for perpetuation of the existing rate structure lies within the economic possibilities of servicing the debt. . . . It is all very interesting to be told by the President that a $258,000,000,000 debt at an average rate of 2% interest thereon will not be an oppressive burden with a $125,000,000,000 national income. But should that national income be maintained and the rate structure get out of control, one must bear in mind that every ¼ of 1% advance in the service charge of that $258,000,000,000 debt is $645,000,000, just about the total debt service charge in January of 1933—ten years ago. . . . That in itself confirms how fatal it would be to abandon current rate objectives. . . . It also takes the convictions of a confirmed optimist to believe that a national income of at least $125,000,000,000 will remain with us until a substantial amount of our public debt is retired. . . .

The Treasury officials and many so-called economists have rated liquidity of banks by the maturity distribution of the Government security portfolio. . . . This was mentioned recently by Under Secretary Bell when he said that the Treasury borrowing policy has resulted in the maintenance of the liquidity of the banking system because such policy gave commercial banks no Treasury securities maturing beyond ten years for investment of demand deposits, in fact the great majority sold to commercial banks have had maturities far shorter than ten years. . . .

In final analysis, a bank cannot be any more liquid with a Government security portfolio of one to five year maturities than is its neighbor with 10 to 20-year maturities. . . . Liquidity is the ability to pay depositors legal tender to the full extent of the bank's deposit liability. . . . If 10 to 20 year or any maturity bonds of our Government are not convertible into legal tender on a moment's notice and as readily so as one to five-year obligations, either by actual sale of the securities in the open market or by borrowing against them at the Federal Reserve Bank, then our banking system will fail us again as it did about ten years ago. . . . As a matter of fact the 12 Federal Reserve banks, depositaries of its member banks' reserves, had about 10% of their $11,614,889,000 portfolio of Government securities as of Dec. 29, 1943, in maturities running longer than five years. . . . It dare not be said that owing to those maturities, member banks' reserves are frozen. . . . .

NEED FOR FLEXIBILITY

It is not only possible but quite probable that it is the desire of the "authorities" to keep the larger commercial banks in a more or less self liquidating position in order to have a higher degree of flexibility when the Treasury can no longer depend upon the public to provide cash for its expenditures. . . . The time must come when large amounts of the debt will be siphoned out of public hands into the banks. . . . Then also there will be a time when the larger Central Reserve City banks may wish to anticipate a demand for loans from their customers. . . . At such times in the past it has been customary for the securities representing the highest degree of market exposure to be sold first. . . . It is not difficult to see the position in which this would place the Open Market Committee of the Federal Reserve System in the desire to maintain markets and rate objectives. Long term bonds by the billions would come pouring into the market from less than 100 banks if they were loaded up with them. . . . If it is a question of needed market support it no doubt will be there, but it is natural for the Federal Reserve and Treasury to prefer buying those billions of securities from 14,000 banks rather than 100. . . .

It may be fortunate for the authorities that most of the larger banks run close to two-thirds of their Government securities in one to five-year maturities. . . . That definitely is not the measure of any degree of liquidity in those banks. . . . It may be a measure of flexibility.

Nat'l Service Life Insurance At $100 Billion

The United States now has the best insured army in all history, with total applications from members of all branches of the armed forces for National Service Life Insurance passing the $100,000,000,000 mark this month, the Institute of Life Insurance said on Jan. 26. This aggregate, says the Institute representing nearly 14,000,000 applications, does not include either the regular civilian life insurance owned by service men, nor the U. S. government life insurance owned by veterans of the last war who are again in service. It is also stated in the Institute's announcement that members of the U. S. armed forces now own more life insurance than all people throughout the world other than the United States, on the basis of the best available information. From the announcement we also quote:

"The Veterans' Administration, under the direction of Brig. Gen. Frank T. Hines, which administers the National Service Life Insurance, has handled as many as 250,000 applications a week, more than one every working second. Benefits under this insurance are beginning to be felt nationally, total claims approved up to the opening of this year by the Veterans Administration amounting to $232,000,000, under 41,165 claims.

"Of the $100,000,000,000 service life insurance, the greatest single block is naturally that covering army men. Under the direction of the Adjutant General of the Army, Major-General James A. Ulio, approximately $80,000,000,000 of National Service Life Insurance has been applied for by Army personnel, the greater part of this in the past year, the result of Army expansion and a special drive to increase ownership to 100% of personnel and the amount owned to the maximum $10,000 available.

"A recent check of men going overseas showed them to be insured to the extent of 98.4% of enlisted men and 99% of officers. In the case of the enlisted men, 90% own the $10,000 maximum, and the average per soldier, including the uninsured, is $9,500. Officers reported 98% own the $10,000 maximum and the average per officer is $9,864.

"From the beginning of the war, the armed forces have made every effort to have every man protected for the full amount. Earliest illustration was the epic insurance story of Bataan, now released by the Army for the first time. In the last days of the stand in the Philippines, the Army cleared all radio facilities for the exclusive use of transmitting applications for life insurance from those trapped in the islands. Col. Royal G. Jenks undertook the job of securing and transmitting them via radio and approximately 30,000 applications were thus filed in Washington. This effort to establish maximum life insurance protection for the Bataan army's families was the last official act of the Army via radio. Furthermore, Col. Jenks, now retired, was one of those who escaped from Corregidor and returned to this country; and his files were the only official Army records brought back from the Philippines.

* * *

"As service men are beginning to be returned to civilian life in considerable numbers, continuance of National Service Life Insurance by those mustered out is becoming a matter of special interest to the Veterans' Administration. A definite campaign is just being launched to conserve this insurance and a special offer of reinstatement is being made to all those previously discharged who have lapsed their policies. Anyone, regardless of lapse date, may reinstate his National Service Life Insurance policy up to Feb. 24th and after that any policy which lapses after being mustered out can be reinstated within six months of lapse.

"The return of millions of service men to civilian life is going to have an important educational effect on the public, just as did war risk insurance after the last war," the Institute continued. "It will also have a beneficial effect in developing the idea of setting up all life insurance on an income basis, as all National Service policies are on that basis. . . . Every policy in force, except for those written on aviation students and cadets in flying courses at Government expense while taking the course, represents a voluntary purchase, under the system of freedom of choice, with the Army, Navy and other service branches acting as sales units."

New Orleans Dealers War Loan Committee

NEW ORLEANS, LA.—During the 4th War Loan Drive, Irving K. Weil of Weil & Company Inc. will serve as Chairman of the Investment Dealers & Brokers Committee. Others on the Committee are B. S. D'Antoni of B. S. D'Antoni & Co., Walter D. Kingston of Lamar, Kingston & Labouisse, Ernest C. Villere of St. Denis J. Villere & Co., Robert M. Woolfolk of Woolfolk, Huggins & Shober and George Williams of Beer & Company.

The Investment Dealers & Brokers Committee of New Orleans have been organized to solicit the subscriptions from customers, institutions, State and City funds, corporations and others. An intensive selling campaign is planned with the entire sales organization of every investment dealer and broker participating.

The Committee believes that the Investment Dealers and Brokers of New Orleans will be most helpful in the success of the campaign and that the work which all of the Investment Dealers & Brokers in New Orleans will do during the campaign will be of great assistance in New Orleans and to the Nation.

A War Producer With Peace-Time Prospects

Robbins & Myers, Inc. is a war producer with excellent peacetime prospects according to an interesting circular issued by Doyle, O'Connor & Co., 135 South La Salle Street, Chicago, Ill. Copies of this circular discussing the situation in some detail may be had from Doyle, O'Connor & Co. upon request.

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Reserve Liability of Prop.... 8,780,000
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Aggregate Assets 30th Sept., 1943 .... £187,413,762

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Interesting Review Of N. Y., Phila. Realty Bonds

Lilley & Co., Packard Building, Philadelphia, Pa., have just issued a most interesting illustrated review of New York City and Philadelphia real estate bonds. Copies of this attractive brochure may be had upon request from Lilley & Co.—write for Booklet C-1.

Interesting Situation

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges, have issued an interesting circular discussing the current situation in Buffalo, Niagara & Eastern Power Corporation. Copies of this circular, discussing the possibilities of the situation, may be had upon request from Ira Haupt & Co.

N. Y. S. E. Amends Margin Requirements On Valuation Of Securities Selling Under 5

A change in the margin requirements of the New York Stock Exchange was approved by the Board of Governors at a meeting on Jan. 20 and the amendment to Rule 550 went into effect on Feb. 1. In a notice to members sent out on Jan. 26, the Department of Member Firms explains that "the rule remains unchanged as to new transactions; in other words, as heretofore, in determining the margin in an account which has made a new transaction, no value may be given to securities selling at less than 5. However, only the margin required on the new transaction need be obtained, assuming the account has the required maintenance margin." In the notice to members Edward C. Gray, Director of the Department of Member Firms, further said:

"The change in the rule permits securities selling at less than 5 to be valued when computing the margin required to be maintained in an account.

"The deposit of securities selling below 5 will not satisfy a margin call resulting from a new transaction.

"In connection with the making of withdrawals of cash or securities selling at 5 and above, no value may be given to securities selling under 5.

"On the other hand, securities selling under 5 may be withdrawn, whether or not there is an outstanding margin call due to a new transaction, provided the account contains the minimum maintenance margin valuing all securities in the account, in accordance with the other requirements of the rule.

"This rule does not prohibit the acceptance of an account from another member firm, if there is no outstanding margin call due to a new securities transaction.

"Members are reminded that the change in the margin requirements of the Exchange does not affect the provisions of Regulation T of the Board of Governors of the Federal Reserve System."

The amended paragraph of Rule 550 reads as follows:

"(o) Determination of Value for Margin Purposes

"Active securities dealt in on a recognized exchange shall, for margin purposes, be valued at the current market price. Other securities shall be valued conservatively in the light of the current market price and the amount which might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried are subject to unusually rapid or violent changes in value, or do not have an active market on a recognized exchange, or where the amount carried is such that it cannot be liquidated promptly.

"For the purposes of effecting

"(i) new securities transactions and commitments,

"(ii) withdrawals of cash,

"(iii) withdrawals of any stock having a market value of $5 or more per share, or any bond having a market value of 5% or more of its principal amount 'long' in the account,

no value shall be allowed on any stock having a market value of less than $5 per share or on any bond having a market value of less than 5% of its principal amount 'long' or thereafter deposited in the account, unless:

"(1) the 'long' securities positions are in the account of a specialist on a national securities exchange and the transactions and securities therein are confined exclusively to those securities in which he is registered as a specialist, or

"(2) the 'long' securities positions are in a special omnibus account of a member firm maintained in accordance with Section 4 (b) of Regulation T of the Board of Governors of the Federal Reserve System."

Mutual Funds

(Continued from page 509)

its sponsor on the tenth anniversary of the fund.

Keystone Corporation devotes a recent issue of **Keynotes** to the Fourth War Loan drive. Under a striking map of Europe in which the likely invasion points are emphasized is a short bit of text entitled "This Is It." The theme—"For our soldier boys and girls . . . this is it." For us at home this is the opportunity to back them up with the material they need. An inspiring presentation of a duty regarding which no urging should be necessary.

Keystone has published revised editions of its folders on "High Grade Stocks" (S-1), "Income Common Stocks" (S-2), "Fast Moving Stocks" (S-3) and "Inflation Hedge Stocks" (S-4). For clarity, readability and typographical attractiveness, these folders are simply tops.

* * *

Lord, Abbett has announced the approval of the SEC to refund the $10,000,000 par value of currently outstanding 4% Debentures of **Affiliated Fund.** The plan, although not yet final, is to refund these 4% Debentures with a 2½% bank loan in the same amount and with the same maturities. The purpose of the refunding is to "effect an economy which will be of direct benefit to shareholders." Savings are shown at $137,500 per year after pro rata deduction of estimated expenses. This saving amounts to 3.6 cents per share per year on the present common stock outstanding.

It is further stated that: "No underwriting commission or other fee will accrue to Lord, Abbett & Co., Inc., nor will the managing company receive any extra compensation for the substantial work which has been going on for more than eight months to make this operation possible."

The current issue of **Abstracts** shows the distribution of the portfolio of **Affiliated Fund** in terms of a $10,000 investment and gives brief comments on the post-war outlook for the various industries represented. Revised folders on Affiliated Fund and Union Common Stock Fund "B" have also been released by Lord, Abbett.

* * *

"The $500,000 Order We **Didn't** Get" is the title of a new folder prepared by **Hugh W. Long & Co.** for **Fundamental Investors.** It is an actual case history of an order which the sponsor solicited but which was finally placed in individual common stocks after consultation with a large Eastern bank.

The reason Fundamental Investors lost this order was because of the distribution charge. Yet after three years of actual performance the estate involved would have been $96,295.80 better off on its $500,000 investment had it purchased Fundamental Investors instead of the 20 "Blue Chip" common stocks recommended by the bank.

The folder contains an itemized performance comparison of the actual $500,000 investment as made in the 20 "Blue Chip" stocks with the results of a like investment in Fundamental Investors. The moral is clear. The large investor who shies at the modest distribution charge involved in the purchase of Fundamental Investors is, as a general thing, "cutting off his nose to spite his face."

Bank and
PRIMARY MARKETS IN INSURANCE STOCKS

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

In the January 6th issue of the "Chronicle" this column pointed to the marked differences which exist between fire insurance companies in regard to relative efficiency and economy of operation, as measured by recognized statistical ratios, etc. The operations of a group of 21 "old line" stock companies were studied for the five-year period ending with 1942, and comparisons made of combined loss and expense ratios, net underwriting profits on earned premiums, net investment income on capital funds, and total net operating profits on capital funds.

It was found that Continental Insurance Co. showed the best "combined loss and expense ratio" of 93.3%, Hartford came second with 94.0% and Fidelity-Phenix third with 94.5%, compared with an average of 96.8% for the 21 and the worst ratio of 100.1% for Hanover. Continental was also first place in percent earned by underwriting profits on "earned premiums" with 6.7%, while Hartford and Fidelity-Phenix were third, each with 5.5%, compared with 3.2% average and the lowest of 0.47% for Hanover.

With regard to the percent earned on capital funds by invested assets, Franklin Fire showed highest with 8.3%, against an average of 5.3%, and the lowest of 3.6% by Phoenix. Continental and Fidelity-Phenix, however, were respectively fifth and fourth in rank out of the 21, with 6.2% and 6.5%, which are substantially above the average. The rate earned on capital funds by total net operating profits, i.e., net investment income plus net underwriting profits, averaged 7.0% for the 21 companies. Franklin and Home were highest with 9.3% and Phoenix lowest with 4.6%. Continental ranked third with 8.3%, while Fidelity-Phenix and Hartford each ranked fourth with 8.2%.

Chase National Bank

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(L. A. Gibbs, Manager Trading Department)

These ratios and comparisons are significant, for careful study of them will frequently provide a clue to probable market performance and investment gain over medium to long-term periods. The accompanying tabulation shows the market appreciation and total investment gain of each of the 21 fire insurance stocks over the five-year period, arranged in the order of relative gain.

	ASKED PRICE				
	Dec. 31, 1937	Dec. 31, 1942	Market Apprec.	Total Cash Dividends	Total Investm't Gain
Fidelity-Phenix	$28	$44¼	58.0%	$10.20	94.5%
Continental Insurance	29	42	44.8	10.00	79.3
Hartford	59¾	93	55.6	12.00	75.7
St. Paul	188	268	42.6	43.50	65.7
Security	28	37¼	33.0	7.00	58.0
Insurance Co. of North America	55	71¾	30.5	13.25	54.5
Great American	22¼	27¾	24.7	6.00	51.7
Aetna	40¾	51½	26.4	8.80	47.9
Prov. Washington	27¾	33⅛	19.4	7.00	44.6
Average	----	----	19.4%	----	43.7%
Franklin	$25¼	$28⅝	13.4%	$7.00	41.1%
Agricultural	61	69½	13.9	16.25	40.6
Springfield F. & M.	105½	124½	18.0	23.75	40.5
Home	27	29⅜	8.8	8.00	38.4
Phoenix	74¾	86	15.1	14.50	34.5
National Fire	50¾	56¼	10.8	10.00	30.5
New Hampshire	41½	42½	2.4	9.00	24.1
Hanover	25½	24⅝	— 3.4	6.40	21.7
United States Fire	48¾	49¼	1.0	10.00	21.5
Fire Association	55½	54¼	— 2.3	12.50	20.3
Boston	540	537	— 0.6	105.00	18.9
North River	24¾	23½	— 5.1	5.00	15.2

It will be noted that Fidelity-Phenix and Continental head the list with gains of 94.5% and 79.3%, respectively, while Hartford comes third with 75.7%. In all, there are nine stocks which show a total investment gain better than the average of 43.7%. It is interesting and significant to note that the average "combined loss and expense" ratio of these nine stocks is 95.7%, compared with 97.6% for the 12 "under the average" stocks and 96.8% for the 21 stocks. It is also worth noting that the average underwriting profit on "earned premiums" was 4.22% for the nine stocks, compared with 2.42% for the 12, and 3.20% for the 21.

It has already been pointed out that Hanover had the poorest loss and expense ratio and the lowest underwriting profit on "earned premiums," it also had a lower-than-average return on capital funds; it is not surprising, therefore, to find its stock close to the bottom of the list as regards market performance and investment gain. Phoenix also, which showed the lowest return on capital funds for the period, is rather far down on the list, although its underwriting experience has been better than average. North River, last on the list, was below average both in underwriting experience and in return on capital funds.

With regard to net investment income and total net operating

(Continued on page 515)

Dr. Anderson's New Study Of Exchange Stabilization Discussed

Additional comments are in hand concerning Dr. Benjamin Anderson's renewed discussion of the British and American proposals for post-war foreign exchange stabilization, which appeared in the "Chronicle" of Dec. 16, bearing the caption "Post-War Foreign Exchange Stabilization Further Considered." In this article, Dr. Anderson examined the subject in light of the revised plan issued by the Treasury in July, 1943, and the plan for an international investment bank which was promulgated in October, 1943, and also elaborated on his own constructive proposals for financial and currency stabilization in the war-stricken countries. Dr. Anderson is Professor of Economics at the University of California, Los Angeles, and was formerly economist of the Chase National Bank of New York City.

Some of the additional letters received in connection with the article in question are given herewith:

HON. PAT McCARRAN
United States Senator from Nevada

I find Professor Anderson's article interesting, instructive and a fair criticism of the revised White Stabilization Fund plan.

Sen. Pat McCarran

The provision which empowers the Fund to change the gold content of the Unitas would not in my opinion meet with the approval of Congress. That is strictly Congressional pregrogative Only a few months ago Congress declined to extend further the President's authority to reduce the gold content of the dollar and pegged the devaluation at the currently authorized 41%.

It appears that too much centralized control may be vested in the Fund under the provision (VII. 4) which is designed to regulate the movements of capital from one country to another. It may be feasible to earmark through the Fund the allocation of American capital with the approval of Congress. There has already been, and there still exists, too much disposition on the part of the Administration to usurp the prerogatives of Congress in matters affecting our foreign policy, both political and economic. Therefore, I am very much inclined to feel that Congress will in the future not only restore but also retain the powers delegated under the Constitution in respect of foreign policies. Certainly the Senate of the United States will, in my judgment, be so inclined.

The Fund must be so constituted as to promote world trade and the stabilization of currencies in an equitable manner with respect to all participating nations. As is pointed out in Dr. Anderson's treatise, on July 16, 1943, the blocked sterling balances of Great Britain in India amounted to 500 million pounds. It would greatly benefit Great Britain if the Fund could place in cold storage this enormous sum of blocked sterling; but if the Fund could not readily dispose of such a large sum, together with other large amounts of blocked exchange of Great Britain and other countries, they would constitute so much dead weight. Furthermore, as the blocked exchange of debtor countries expands, the Fund would be further burdened if required to absorb it.

Professor Anderson states that the proposed World Bank would be "internationally controlled and not American controlled even though America would be the chief lender," and that, "If we are going to lend let us do our own lending." I quite agree with this observation. Why should the country with the soundest credit and the only country able to finance this war-stricken world jeopardize its financial position to such an extent? Congress will weigh this proposal with great care and caution.

Unfortunately the majority of commentaries that have come to my attention with respect to the establishment of an International Stabilization Fund and a World Bank have failed to recognize the full value, significance, and need for metallic backing (gold and silver) for currencies. Its importance cannot be over-emphasized. In the establishment of any International Stabilization Fund there must also be provided a means whereby both of the precious money metals (gold and silver) will be accepted and utilized at a fixed ratio in order to facilitate the settlement of international balances, give more substance to the effort to stabilize exchange, and to encourage an expansion of world trade, especially among the weaker and struggling countries. Silver and gold are held in high esteem as money metals throughout the world. Of course some countries which have no control over the production of either of these metals must either transfer capital or export goods to other countries willing to part with these precious metals.

There is ample supply of silver and gold, once their values are adjusted on a fair and unbiased basis, to furnish adequate coin and backing for the currencies of all nations. Both metals should circulate freely and flexible paper money should be supported adequately by gold and silver reserves.

Another point that is insufficiently covered in criticisms that I have read is that a proper readjustment of exchange values of currencies must be made before stabilization can be effected. The economy of all nations, belligerent and neutral, has been badly distorted by reason of war conditions, and any attempt to establish sound exchange values must be given extremely sympathetic treatment. The devastating effect of war on the Axis and satellite nations and the invaded countries, together with the highly efficient industrialization and economic cooperation of the United States and other United Nations, will result in such further economic disequilibrium among nations in the post-war world as to make this task extremely difficult. It may be well to approach this problem with a view to fixing the exchange rates of the weaker nations on a considerably higher level than would at first appear appropriate. This would give those nations an advantage in making purchases abroad and greatly facilitate their recuperation.

Another aspect of the readjustment of exchange rates should be taken into consideration. During the days of high tariff and other devices designed to control international trade following World War I it was discovered that in order to offset the effect of high tariff in other countries, particularly in Latin America, the exporting countries resorted to a depreciation of their currency exchange values. Many of these currencies are still considerably below parity, and this condition should be corrected. The prosperity enjoyed and to be further enhanced by Latin American countries in the immediate post-war period offers ample justification for the adjustment of their currencies upwards in terms of dollars.

Several outstanding economists and bankers have voiced a note of distrust in criticizing the procedure followed by representatives of the Treasury Department of the United States and of the British Government in conducting secret conferences on this important matter prior to the presentation of their views to and consultation with Members of Congress. This is indeed regrettable especially in view of the constitutional authority vested in Congress "To coin Money, regulate the Value thereof, and of foreign Coin," (Art. I, Sec. 8), also "No State shall *** coin Money;***, make any Thing but gold and silver Coin a Tender in Payment of Debts ***," (Art. I. Sec. 10.)

While I have not had an opportunity to give Professor Anderson's article the analysis and critical study to which it is entitled, I am happy to submit these few observations to you in accordance with your very kind request.

I hope you will pardon my having gone into this matter at some length. At the same time, I am sure you will appreciate the fact that in making a study of this all-important matter, one necessarily directs his attention to such a multitude of essential details that it is very difficult to isolate any given proposition and discuss it in the abstract.

WILLFORD I. KING
New York University School of Commerce, Accounts, and Finance

I agree most heartily with Dr. Anderson's general line of argument. He makes an especially strong point when he states that "It was the rigidity of British wages and prices in the 1920's and in 1930 - 31 which made Britain lose disproportionately in the world's export markets as world prices and costs receded in the great depression.

Willford I. King

He is also on firm ground when he states that this Nation ought to give much help to stricken countries in Europe after the war ends, "but that we should be under no illusions as to getting this money back."

He is certainly correct when he opposes the establishing of an international investment institution so designed as to siphon off American capital for the benefit of indigent nations.

In one respect I go further than Dr. Anderson. Our experience after the last World War seems to prove conclusively, that there is no such thing as a sound investment in any foreign country which we can not easily dominate by force of arms. Foreign nations are all too ready to borrow, but when Uncle Sam seeks repayment he becomes Uncle Shylock. Investing money abroad results both in making Americans unpopular and in the loss of their investments. I would prefer to see no credits for terms of more than 90 days extended to any foreign countries. If we wish to give them money let's do it with a grand gesture and then forget it.

Dr. HENRY CHEN,

Professor Anderson's present article as a contemporary economic problem has excited great interest and elicited wide discussion in financial circles recently. Many prominent economists and financiers have commented on it and the general public must have by now a pretty good idea as to the bones and meat contained therein. Nevertheless, however thorough the content of the article may have been combed, I am still grateful for this opportunity to pick up some of the crumbs, as it were, as there are several points, which, in my opinion, could be further elaborated upon and to which I would like, with the permission of my readers, to add, even at the risk of being accused of deliberately finding flaws, a few words here.

Henry C. Chen

To begin with, Professor Anderson seems to have a great deal to worry about when he says the he is opposed to an international investment institution such as is proposed in the Treasury statement of October 8, 1943, for the simple reason that "the control of it would be an international control and not an American control, even though America would be the chief lender." What he wants is that this country should be free to negotiate with other countries regarding conditions of lending its own money. In other words, he wants national action and not international cooperation concerning matters of international financial rehabilitation.

Professor Anderson certainly has the perfect right to be realistic on matters of international cooperation. His apprehension is perhaps justified in the light of what happened to America in the '20's when power politics was played often at the expense of this country by England, France and the other European countries. Nevertheless, while admitting Professor Anderson's right to be suspicious of the policy of international control or cooperation, so far as regards the lending of money abroad, it may do well to bear in mind that to insist on absolute control by America alone, in my opinion, is a bit unrealistic. Thus, as far as the Treasury plan of October 8, 1943, is concerned, it is not true that this country will be the **only** lender, in which case I would not hesitate to join Professor Anderson to deny other nations the right to have any say in it. But since this country is only one of the countries that would be expected to put up the entire capital in the Treasury plan, it seems more appropriate, therefore, that international control and concerted action are necessary for its management. Indeed, after the final victory is won, the more international cooperation along constructive channels, the better are the chances of solving the myriad of problems faced by the nations of the world. For just as it is absolutely necessary to resort to international action in order to win the war at the present moment, so it is equally essential that recourse is made to international cooperation, as far as possible, in order to **win the peace.** America alone cannot win the peace. In order to bring about a new era of human civilization, the efforts, both spiritual and material, of all peace-loving nations must be enlisted to the fullest extent. The result ought to be better understanding and mutual confidence, which the Allied nations need so badly even under present conditions of war.

Secondly, I do not quite agree with Professor Anderson on the idea that stabilization loans, however moderate, should be made by private investors through investment banking houses rather than by the government. Stabilization loans, as I see them, are more or less in the nature of political loans; and I wonder if it is not more appropriate for private investors to keep out of this sort of "official business" and let the government take care of it, thus confining themselves, the private investors, mainly to the task of financing industrial enterprises, which, other things being equal, would tend to increase the physical productivity of the borrowing nation and thus continue to absorb private capital. It is axiomatic that private capital will not venture into any kind of business enterprise unless it is certain that there is a good prospect for the investor to receive a fair and reasonable rate of return on his investments. This is true in the home country and it is even more so in a foreign land where the investor is often exposed to greater risks. Indeed, stabilization loans are not productive loans and as such should not be classified with those investments which would be conducive to productivity and private investors therefore should not be encouraged to make committments under any set of circumstances. For so long as they are political loans and so long as they are used not for direct and immediate production of economic goods, so long it is senseless to talk about a fair rate of return and it is better for private investors to keep out of the scene and let the government do the job. I believe governments know better how to deal with governments.

It may be argued that many private investments abroad likewise are often made in industries designated as state-owned-and-operated enterprises, such as the so - called heavy industries in China. While granting the "political" affiliation of this sort of business, its economic characteristics, however, should not be considered as different from those of ordinary business undertakings owned and operated by private individuals. Here, as elsewhere, the government operator must also pay due consideration to the concept of **cost,** if he is to run the plant efficiently as an economic unit and not merely as a technical project. Politicians, who usually are managers of stabilization funds or loans, do not even have to pay their lip service to cost.

Finally, I should like to add, if I may, that there is one particular point which is so well taken by Professor Anderson in his article that I should like to take this occasion to congratulate him on his far-sightedness and liberal thinking. At the end of the article concerned Professor Anderson states that America "can do nothing financially sound to help Europe unless we lower our tariffs, and make it easily possible for Europe to repay with goods." The soundness of this statement lies in the fact that any attempt to bring about world wide economic recovery and hence the return of an international gold standard—a hope which is no doubt shared equally by Professor Anderson—America must make some compromise with the debtor nations by lowering her tariffs so as to facilitate the repayment of her loans made abroad. It may be recalled, in this connection, that there were several reasons for the inflow of gold into this country in the pre-war years, and the principal of these was the existence of a continued favorable balance of trade on the part of the United States and her unwillingness to accept payments other than gold. The return to an international monetary standard based on gold, therefore, must be predicated upon the hope that this country will be realistic enough to appreciate the impossibility of the debtór countries to repay in gold. As the **Statist** put it, "It becomes increasingly evident that even the most elaborate currency clearing union cannot be viewed in isolation but at most can only amount to a part, an indispensable part, of a much wider economic **entente.**" (See The **Statist,** vol. CXL, No. 3432, December 4, 1942.) The lowering of tariffs by the United States may well be considered as one of the surest steps toward the organization of this economic **entente.**

Nevertheless, the road toward a more liberal economic world is still thorny and the obstacles to be overcome are many and great. It is true, existing trade treaties of the principal nations are largely held in abeyance under wartime conditions of lend-lease and other forms of mutual aid, but it is by no means safe to assume that these very treaties of trade have already been written off the international statute book. Indeed, the vested interests for whose protection they have been set up are still there and certainly will need a great deal of convincing before complete freedom of trade can become a reality in the postwar economic policy of all nations and before the 19th century liberalism can be brought back alive. Professor Anderson is, I believe, a great believer of economic liberalism. His stand for freer international trade should deserve the support of all.

***Editor's Note* — Although Dr. Henry C. Chen is associated with the New York Agency of the Bank of China, only he is responsible for the opinions expressed above.**

Bank & Insurance Stocks

(Continued from page 513)

profits on capital funds, these measures of relative efficiency, when taken alone, do not seem to be so significant or conclusive. For example, Franklin and Home, which show below-average market performance and investment gain, achieve a high return on capital funds. The investor pays for this, however, through a high ratio of market to liquidating value and hence, in the end, does not necessarily profit from Franklin's and Home's higher return on capital funds. On the other hand, Insurance of North America shows a lower-than-average return on capital funds from net investment income and net operating profits, but since its stock can be bought at a discount from liquidating value, the investor can enjoy an end profit better than in the case of Home, and other stocks.

The main purpose of this discussion is to call attention to the necessity for careful study of the comparative characteristics and significant ratios of individual fire insurance stocks, if one is to achieve average or better-than-average investment results. Studious selection combined with a reasonable degree of diversification appear to be prerequisites to successful investment, even in such time-tested securities as "old line" fire insurance stocks.

Muskogee Co. Interesting

The Muskogee Co., which is tax-free in Pennsylvania, offers interesting possibilities for appreciation, according to a circular discussing the situation issued by Buckley Bros., 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of the circular, which also contains interesting yield tables for the preferred and common stocks, may be had upon request from Buckley Bros.

The Securities Salesman's Corner

Personal Interest Plus Well Selected Special Situations Build Clientele

Radiation from one satisfied customer which results in new accounts is more difficult of achievement in the Securities business than in many other lines of commercial endeavor. A good salesman in the insurance business automatically secures a large percentage of new clients through the recommendations of his customers. Doctors and most professional people depend upon recommendation to increase their clientele. Although there are some securities buyers who will cooperate with their dealer or salesman in helping them secure new accounts there seems to be less inclination for this group to advocate investment services than other things which they need and use from day to day.

The reason for this attitude is simple. Most people assume that if a friend's investments turn out advantageously they will never receive any appreciation—if they don't, they will more than likely get the blame. Naturally, they would rather not assume any responsibility directly or indirectly. Investments seem to be in a class by themselves—most people when they make a profit like to take all the credit for their financial acumen—losses are the other fellow's fault.

But radiation can be secured from satisfied clients. The basis of customer satisfaction is always a good record of performance. In addition, personal interest must be shown in the welfare of the client.

We know of an investor who several years ago came to a certain dealer through the recommendation of one of his clients. This lady was having a very difficult time with her investments. She had led a sheltered life until her husband died and left her with just about enough of an estate to get along comfortably. Instead of investing in conservative, income-paying securities she was carrying a margin account with a member firm and was trying to make a success of the extremely hazardous venture of increasing her principal through speculation.

After two years of constant reeducation, which took endless tact and patience, this salesman finally accomplished the liquidation of her speculative account. Instead of trying to play the market on a day-to-day, or week-to-week basis, he educated this investor on the efficacy of a planned investment program. He broke up her holdings into two classes. About 75% of the list was placed in a diversified group of income payers; 25% was invested in growth securities or specially analyzed situations. As the process of education went along, this salesman actually conducted a private course in investment for this client's special benefit. In time the special situations began to show profits far exceeding the former ventures in the stock market. Income also was increased. This customer received far more from this salesman's advice than she ever knew could come from the ordinary relationship which had existed when she had her margin account with the brokerage firm that had been handling her trading account.

In addition to the excellent record of investment success that was accomplished this salesman also made a friend of this customer. Christmas time he sent her a remembrance; income-tax time he helped her with her report; several occasions during the year he invited her to join both himself and his wife at concerts and plays; he made it a policy to telephone at least once every two weeks whether or not there was any immediate business reason for doing so; in other words, he built a solid customer relationship which was certain to pay off in dividends.

And pay off it did. From this one account he has opened up a dozen more—some large and some some small. The reason for his success is as plain as day—sound business ethics, good investment technique, good recommendations, personal interest. These are things which a customer buys from a securities dealer, AND NO ARBITRARY RULING OF ANY BOARD OF GOVERNORS OF ANY NASD AS TO STANDARD GROSS MARKUPS WILL EVER BE A SOUND PRINCIPLE UPON WHICH TO LIMIT A DEALER'S PROFITS WHEN THE SERVICE AND ADVICE THAT ARE RENDERED BY SOME DEALERS IS SO MUCH MORE PROFITABLE AND EFFECTIVE THAN THAT WHICH IS GIVEN BY OTHERS.

Risk Taking Indispensable Factor In Private Enterprise, Says First National Of Boston

"Without risks there would be no progress," says the First National Bank of Boston which observes that, "in glancing back over the centuries, it is found that the epochs characterized by risk taking were the most progressive, while periods in which the people clutched at security stood still' or stagnated. It is also recorded that when freemen retreat from risk, they march toward serfdom." In its New England Letter, dated Jan. 31, the bank makes the statement that "private enterprise and free Government are on trial, and their fate will be determined by the ability and willingness of the risk takers to resume their normal functions, and of the various groups to solve their own problems without leaning on Governmental crutches.". It is pointed out by the bank that "in our own country every step in the forward advance was marked by risk taking. The Pilgrim Fathers left sheltered homes to brave the unknown. No one guaranteed them security or liberty. During the first winter in Plymouth one-half of the entire colony died of starvation. Yet when the Mayflower left for England in the next spring, not one of the Pilgrims returned to what would have been a life of comparative comfort and security. They were willing to pay the price for freedom." Continuing, the bank says:

"This same spirit dominated the pioneers who converted the wilderness into a mighty industrial empire in a comparatively short period of time. Technological progress has been attended by great risks and a high mortality rate of business enterprise. But society has benefited by the machines that have lifted the burdens from the backs of workers, that have brought forth an abundance and variety of products, and that at the same time have made possible increased leisure to enjoy the fruits of labor. The constant scrapping of the old for the new that has characterized American industry has paved the way for more and better goods at less cost. The acid test for survival of business is in the consumers' market place.

"Competition in pre-war days was on a broad front. Coal, gas and oil vied with one another in the heating of homes. Fabrics, rubber and wood, in addition to leather, were used in the manufacture of footwear. In the building industry, cement, brick, steel, copper, glass, plastics, and many other products were offered as substitutes for lumber. Not only was there keen rivalry among commodities for the same uses, but in a larger sense all commodities were competing with one another for the consumer dollar. Competition was illusive, it resolved itself into a mighty strife for consumers' preference. No business can escape this type of competition in the future, and the best insurance is industrial research that makes possible adjustments to the dynamic forces at work.

"Since risks are inherent in the very nature of business enterprise, rewards should be commensurate with the hazards involved. The investment of capital always involves the possibility of loss, and no one can afford for long to incur risks without the prospect of profit. Certain forms of risk occur with such regularity that they can be protected by insurance, such as fire and theft. But the usual business hazards are uninsurable. They cover a broad range and are not susceptible to accurate measurement. Through knowledge and ability to evaluate the various factors in a situation, the elements of uncertainty can be reduced. This selective process calls for sound judgment, courage and decision. For the past two decades, the average net return on capital invested in American industry has averaged around 3%. This is small compensation for the use of capital and of services for directing the business affairs of the nation.

"For about 150 years, business enterprisers took their chances because of the prospect of liberal rewards for contributions made. Then came the Great Depression, and amid the confusion and anxiety of the times there developed a defeatist theory that there was no further outlet for business capital since the country had reached its maturity. Hence it was held by the proponents of this new school of thought that the Government should obtain money from taxation and borrowing, and distribute it through the spending channels. In line with this policy, deficits mounted, corporate taxes increased sharply, Governmental regulations multiplied, and the rules of the game were frequently changed. In other words, new and extraordinary hazards were injected. The net result was that venture capital went into hiding and large-scale unemployment prevailed.

"Then came war, and with the urgent and prodigious demand for goods, business was lifted out of the depression, with industrial production in 1943 more than double the pre-war period. American industrial performance was so outstanding as to win unstinted praise in all quarters. But since war business is primarily for destruction, it is non-productive. About 70% of the industrial production is for one customer, the Government, in consequence of which marketing, salesmanship and costs have become of secondary importance. Practically all firms on the surface appear to be assured of profit during the war period, with risks reduced to a minimum.

"The business hazards of wartime, however, may find expression in the post-war period. Inventories may depreciate in value. Reserves for depreciation of machinery and equipment may prove to be inadequate and involve losses. Reconversion of plant and facilities, as well as the reestablishment of markets may be costly. Unless liberal provisions are made for these contingencies, war profits will likely prove illusory.

"The nation will emerge from the war with a staggering debt and with a Federal budget for the post-war period at least twice as high as the pre-war period. The load will be all the Government can carry. Uncle Sam cannot become the burden bearer of private interests by providing subsidies, doles and guaranteed loans.

"The granting of loans by Government agencies to those who cannot meet the established credit standards is unsound in theory, except in emergency periods, and penalizes the competent and the taxpayers. The extension of unwarranted credit interferes with the necessary correctives, and maladjustments accumulate.

"Socialized credit and other forms of Governmental subsidies are narcotics that dull personal intiative, stifle enterprise and becloud the vision. When members of any society reach the stage where they turn to the Government for handouts, in the course of time they surrender their freedom and become vassals of the State ruled by the iron hand of bureaucracy.

"So when people shy away from risks they are taking the greatest gamble of all, for this results in the loss of freedom and is accompanied by business stagnation, lower living standards, and eventually the bogging down of the whole economy. Such a situation in time might invite a war of aggression to detract from domestic troubles, as has frequently happened in the course of history.

"The primary consideration for post-war blueprints should be to make risk taking so attractive that the great creative forces of the nation will be released. To make such an objective possible will call for reasonable and equitable taxes, special incentives for projects that have promise of providing jobs, sound Federal financial policies, favorable business climate, flexible wage policies, and the like.

"With favorable conditions provided for risk taking, it is up to all groups to take their chance, without the nursing aid of Government. Dollars should be placed in overalls and put to work, for a dynamic and expansive economy demands a constant supply of fresh capital to keep it ticking. When this flow is shut off from business sources, the only recourse is artificial respiration through pump-priming, which, if long continued, makes inevitable the Government's becoming the chief reservoir of credit and capital."

House Votes $1.3 Billion For UNRRA

By a vote off 338 to 54, the House approved on Jan. 25 a bill setting up the machinery for financial participation by this country in the United Nations Relief and Rehabilitation Administration, authorizing the appropriation of $1,350,000,000. This amount is on the basis of the UNRRA agreement that each country's share shall not exceed 1% of its national income for 1943. Two attempts to reduce the limit on the appropriation to $1,000,000,000 and $675,000,000 were defeated.

Before completing action on the measure, the House rescinded its action of the day before by voting 217 to 175 to leave the control of the funds in the President's hands instead of under the State Department. The House had voted on Jan. 24, by 116 to 102, to have the State Department handle the UNRRA appropriations, as proposed by Representative Vorys (Rep., Ohio).

Two amendments were included in the final bill—one places Congress on record as favoring the use of UNRRA funds in countries where famine is threatened, as well as in countries liberated by the Allies, and the second stipulates that the legislation expire two years after the cessation of hostilities.

Municipal News & Notes

Last week's decision of the Tax Court of the United States in the Port of New York Authority case constituted an important victory for the inter-State agency, also the Triborough Bridge Authority and all similar bodies, and may possibly prove of equal import to all of the States and their local subdivisions. The Tax Court, in its decision of Jan. 28, rejected the Treasury's contention that the bonds issued by such enterprises as the Port Authority should be subject to Federal taxation, in a ruling which held that the quasi-municipal body is a political subdivision within the language of the Internal Revenue Code. The Bureau of Internal Revenue, which brought the action in behalf of the Treasury, had contended that since the Port Authority did not exercise sovereign police powers of the State (such as the right of taxation), it was not a political unit per se and its bonds could not therefore be immune from Federal Taxation. A similar action was filed against the Triborough Bridge Authority on the same grounds.

The Tax Court, by a 10 to 5 decision, held that the Port Authority "is a political subdivision of a State—the State of New York—and also the political subdivision of another State—the State of New Jersey", and declared that the agency in "its relationship to those States in severalty lacks none of the attributes which the foregoing definitions prescribe." This latter was in reference to the court's previous remarks "that the attribute of taxation is but one of the many tests by which Congress intended a political subdivision to be identified and that there could have been no more intention to exclude the public authority with its manifold influence in the whole field of local public improvement than the special assessment district."

The decision calls attention to developments of the great "motor age" of the past quarter century and the necessity for highway construction and the prospect for future expansion of such facilities. It then states that "It is hard to conceive that a statute tending to encourage and assist in the contribution of public improvements by debt-burdened localities should have been intended to stop short merely because the method selected for financing such accommodations to current needs is the issuance of obligations secured by facility revenues, as opposed to the levy of special assessments upon benefited properties."

The opinion of the Tax Court, which was written by Judge Clarence V. Opper, dealt only with the statutory question of whether such agencies as the Port Authority are political subdivisions and interest on their bonds exempt from Federal taxes by the Revenue Act of 1938 and the Internal Revenue Code. In ruling in favor of the Port Authority on this important point, the court, however, declined to pass judgment on the infinitely broader question of the constitutional immunity of all State and municipal bonds from Federal taxation.

This matter will presumably be pressed by the Treasury for ultimate adjudication by the United States Supreme Court. The Treasury has already announced that it will appeal the ruling in the instant case to the Circuit Court of Appeals. The judgment of the Tax Court, however, gains added significance in light of the fact that it marked another victory for the States and their municipalities in resisting the efforts of the national administration to subject the interest on their bond issues to Federal taxes.

Attempts to have Congress enact legislation of that character have been entirely unsuccessful and such abortive effects were highlighted by the refusal of the Senate, in September 1942,—despite strong pressure from the Administration, to approve a bill providing for termination of tax exemption on local government securities.

With regard to the Treasury's appeal of the Tax Court's decision in the Port Authority case to the Circuit Court of Appeals, various sources feel very strongly that the ruling is not likely to be reversed. Mention is made in this connection of the respect in which decisions of the Tax Court are held by other courts, including the Supreme Court. Reference to this fact was made, for example, by Frank C. Ferguson, Chairman of the Port of New York Authority, in commenting on the recent ruling, as follows:

"In light of the respect with which decisions of the U. S. Tax Court are treated by the Supreme Court of the United States, we trust that this decision will mark an end to efforts to interfere with fiscal affairs of the States and their cities. The municipalities should now be able to go forward with their plans for post-war development without the fear of Federal interference with local financing."

Mr. Ferguson also declared that the decision of the Tax Court upholds the Port Authority's long-standing contention that its bonds "are on the same plane as the direct obligations of the States and their cities * * * and (this position) has been accepted as one of the attributes of Port Authority bonds in the market." The Port Authority, he said, has for many years played a leading role in the efforts of the States and cities to combat Federal attempts to tax their obligations and declared that the authority "participated in the organization of the Conference on State Defense", which for over five years has successfully maintained the position of local governments on the "fundamental issue" of the tax-exempt status of their bonds.

Julius Henry Cohen, for many years the Port Authority's general counsel and who acted as chief counsel in the current case, reportedly expressed the opinion that the Tax Court's ruling will be upheld by the Circuit Court of Appeals and that the Supreme Court will find in the case no constitutional question of sufficient import to justify a review of the lower court's findings.

Port Of N. Y. Authority 1943 Revenues Over $13,000,000

During 1943, the first full year of gasoline rationing, traffic on bridges and tunnels operated by the Port of New York Authority was 28% less than the peak year of 1941, and 12% under 1942, which included less than eight months of gas rationing, it was announced earlier in the week by Frank C. Ferguson, Chairman of the Port Authority. A total of 21,987,000 vehicles used the crossings in the past year and, according to a preliminary financial statement, revenues from tolls aggregated $13,239,000, a drop of 22% from 1941 and 8% from 1942. The comparatively high level at which revenues were maintained is attributed to the larger proportion of buses and trucks utilizing the crossings in comparison with peacetime. Another significant factor was the collection of tolls from military vehicles during the last six months of the year.

"Traffic during the past year did not fall to as low a level as might have been expected in view of the continuing gasoline shortage," Mr. Ferguson said. "This we believe is an indication of the fact that the vast majority of the vehicles now rolling represent war transport. Seven-day-a-week operation of war plants has brought even a large proportion of Saturday, Sunday and holiday travel into the category of essential travel."

In the early months of 1943 the Port Authority crossings were used by an average of 326,000 vehicles a week. It was during this period than an extreme gasoline drought occurred. During the last four months of the year approximately 511,000 vehicles a week used the crossings.

The two crossings most intensively used by war workers, the Lincoln Tunnel and the Bayonne Bridge, showed traffic gains over 1942. During November and December both facilities established all-time traffic records. The Lincoln Tunnel was used by 4,553,000 vehicles during the year, and has virtually attained its full capacity as a one-tube facility. The heavy traffic at this tunnel reflects its extensive usage by motor trucks, buses and automobiles carrying war workers. Similarly, the Bayonne Bridge, which is strategically located in relation to important war industries, handled more traffic than in 1941.

As in 1942 the George Washington Bridge suffered the greatest decline, handling 5,620,000 vehicles in 1943 as compared with 7,382,000 in 1942. Hard hit also was the Holland Tunnel, at which traffic dropped to 9,741,000 compared to 11,286,000 in the preceding year. Both these crossings in peacetime carried a substantial volume of pleasure travel destined for resorts in New Jersey and upstate New York.

The Port Authority's net income after operating expenses and interest will approximate $6,540,000, a decrease of 8.8% from 1942. Preliminary figures indicate that during the year the Authority cut its operating expenses $415,500, or 10.4% as compared to the preceding year. This saving was effected in spite of a war adjustment payment made to all employees earning $6,000 or less, and resulted principally from a rigid curtailment of maintenance work which was deferred.

Looking ahead to the coming year, Mr. Ferguson stressed the increasingly severe shortage of tires, automotive replacement parts and manpower.

"The principal problem facing all those concerned with highway transport," Mr. Ferguson said, "is no longer the establishment of new restrictions; rather the accent must be upon keeping vital equipment rolling. It has been demonstrated that over-the-road transport of essential materials and workers is vital to our war economy and to victory itself. Unless an effective conservation and replacement program is effectuated, the coming year may see a drastic curtailment in the use of buses and trucks which might seriously handicap the war effort."

N. Y. City Buys $40,300,000 Fourth War Loan Bonds; Investments Now Exeed $150,000,000

City of New York investments in war bonds now total approximately $150,000,000, according to Joseph D. McGoldrick, Comptroller, who announced on Jan. 31 the purchase of $40,300,000 2½% bonds of the fourth loan offering. The check to cover the additional purchase was presented to W. Randolph Burgess, Chairman of the War Finance Committee for the State of New York. The city's grand holdings of $149,746,000 includes purchase of $51,946,000 for the various sinking funds and $50,000,000 for account of pension funds. Comptroller McGoldrick is sole trustee of the sinking funds and the pension funds have separate Boards of Trustees, of which the Comptroller is a member and for which he acts as custodian.

Mr. McGoldrick made the recent purchase at the Bond Booth in the Sub-Treasury Building at Wall and Nassau Streets. He selected the place of purchase as the Sub-Treasury booth because it is located on the site of the building erected in 1700 which served as the City Hall of New York until the present City Hall was built in 1812. The original Municipal Hall also served as the Federal capitol from 1785 until 1791.

Also taking part in the brief purchase ceremony were Joseph A. Bower, Director of the Banking and Investment Division of the War Finance Committee; H. Donald Campbell, President of The Chase National Bank of the City of New York; Wm. Gage Brady, Jr., President of The National City Bank of New York; Leon Fraser, President of The First National Bank of the City of New York; S. Sloan Colt, President of Bankers Trust Company, and Russell C. Leffingwell, Chairman of the Executive Committee, J. P. Morgan & Co., Incorporated.

State and Local Debt Reduced $1,000,000,000, Census Bureau Reports; Federal Debt Up $64,201,000,000

States and local subdivisions reduced their outstanding indebtedness in the amount of approximately $1,000,000,000 during the year ended June 30, 1943. The actual reduction was $997,000,000, of which $301,000,000 was accounted for by the various States and the remainder by cities, counties, villages, etc., according to a report issued by the Governments Division of the Bureau of the Census, Department of Commerce. This report, captioned "Governmental Debt in the United States: 1943," also reveals that during the same period there was a rise in the Federal debt burden of $64,201,000,000, bringing the grand aggregate on the June 30 date to $136,969,000,000. This figure does not include indebtedness of corporations and agencies of the United States.

As stated in the report, the huge increase in Federal indebtedness — "a natural consequence of the gigantic cost of global warfare"—dwarfed into insignificance the sizable slash in their indebtedness by the various levels of local government. Although minute on a comparable basis, the report states, the $997,000,000 cut accomplished by States and municipalities assumes major stature when Federal debt is excluded from the overall debt picture. Furthermore, the 5.1% decrease for the year "clearly indicates the greater economic and financial strength of States and local governments in 1943."

In addition to the above-mentioned report, the Governments Division of the Census Bureau has also released two additional debt studies, one being devoted to the volume and character of State debt outstanding at June 30, 1943, and the other containing similar data with respect to indebtedness of the 410 cities having populations in excess of 25,000.

The three studies are very timely and represent an important addition to existing data on debt status of all levels of government, Federal, State and local. The reports dealing with the debts of States and cities are particularly informative as they contain a variety of data pertaining to the debt structures of the individual States and respective cities. No less valuable is the report on overall governmental debt, an outstanding feature being a review of the history of State and local debt, with particular reference to the sharp reduction that has been effected in such obligations during the present war period.

The gross indebtedness of the States and local subdivisions at June 30, 1943, is reported at $18,645,000,000, as compared with $19,642,000,000 in 1942, $20,182,000,000 in 1941, $20,225,000,000 in 1940 and $19,562,000,000 in 1932. On June 30, 1943, however, gross Federal debt was $136,696,000,000 (exclusive of indebtedness of corporations and agencies of the Federal Government), having increased $64,201,000,000 during the year from the 1942 aggregate of $72,495,000,000. Comparable figures on gross Federal debt for earlier years are shown as follows: 1941, $48,979,000,000; 1940, $42,971,000,000; 1932, $19,487,000,000.

As indicated in the figures shown above, the $18,645,000,000 gross debt of States and local taxing units on June 30, 1943, is the smallest aggregate since 1940. The reduction in debt also served to sharply lower the amount required for interest charges, the total of $681,000,000 in the 1943 period being the lowest in the past decade, according to the report.

In addition to sharply reducing their outstanding gross indebtedness during 1943, the States and local subdivisions also made substantial additions, in that period, to sinking fund assets applicable to the retirement of their obligations. These offsets, the report says, totaled $2,095,000,000 on June 30, 1943, an increase of $125,000,000 over 1942. Practically all of the total, it is said, is held as a reserve against $15,193,000,000 of outstanding general obligations, thereby reducing this burden to $13,171,000,000.

All States and local units combined reduced their gross debt less sinking fund assets by 6.3% to $16,399,000,000 in 1943, and as in the case of gross debt, counties and States experienced the most marked contraction of all of the various levels of local government. The sharpest decline in the past decade characterized the State debt picture for the year ending June 30, last. On that date gross debt totaled $2,909,000,000, this being 9% less than the $3,211,000,000 on the same date in 1942. A similar percentage decrease was made in the volume of outstanding net general obligation State debt, the 1943 total of $1,849,000,000 comparing with the previous year's figure of $2,033,000,000. The year 1943, it is said, continued a trend of declining State debt which began in 1941, the first of recent years to show a reduction.

Gross debt of the 410 cities with populations of 25,000 or more decreased $269,000,000 during the 1943 year, accentuating the trend started in 1942. Recent year's reduction amounted to 3.3%, as compared with only 2.1% in the earlier period. As a result of this decline, city debt of $8,002,000,000 was well below the peak reached in 1941 and was less than in any year since 1932, it was said. Of the grand total, 54% represented obligations of the five cities having populations over 1,000,000: New York, Chicago, Philadelphia, Detroit and Los Angeles. The City of New York alone was indebted for 38% of the gross debt of the 410 cities.

N. Dak. Supreme Court To Reconsider Warrant Funding Decision

Alvin C. Strutz, State Attorney General, advises us that the North Dakota Supreme Court has agreed to reconsider, at its February term, a previous ruling holding that refunding bonds issued by local taxing units in exchange for special assessment improvement warrants issued prior to 1929 are invalid. Mr. Strutz states that no copy of the court's previous decision has as yet been published and will not be until the court passes on the matters raised at the rehearing.

Outlook For The Oil Industry

(Continued from page 499)

ships, etc. that a belligenent can muster. Of course, this is very superficial measurement.

Trained manpower, indeed manpower in general, along with industrial potentialities, food supplies, strategic materials, etc. are of course, the basically important components that must be considered in any intelligent appraisal of the situation. However, throughout the long period of time required to translate all these components into the thing we call our war effort, the consumption of oil plays an important part at every step of the road. We see it every day on the home front and know of its importance on the marine transportation front and in the battle areas themselves. Therefore, in my opinion, the best, or at least, the most convenient unit of measurement for gauging the military force of a belligerent these days is simply the amount of oil he can allocate to his war effort over an extended period—that is, over a period long enough to win whether the time required be one year or ten.

In other words, oil consumption may be thought of as the common denominator of measurement in terms of which all military power potentialities can be expressed—and expressed much more significantly than by an enumeration of the war machines themselves. Military force in its most realistic meaning is only being applied when the war machines are moving, and when they are moving they are consuming fuel.

Leaving out the Japanese angle, or postponing discussion of it until say about this time next January, the European phase of the war boils down to a very simple formula. The Nazis at most can burn up no more than a hundred million barrels of oil a year in their war effort since that is approximately all their sources of supply can provide, and I think we can dismiss the possibility that they still have any prewar storage accumulations to throw in. In my best judgment our European enemy is now on a hand to mouth basis so far as oil goes.

Of course, he is building up synthetic oil plants as fast as he can, but the bombers are working just as hard in the other direction. It seems to me that the resultant of these two forces—that is, construction on the one hand and destruction on the other—is likely to be a standoff. Anyway I am convinced that Hitler is held reasonably close to that hundred million barrels a year limit on his war show.

During 1944 our war effort will absorb about five times that amount from domestic wells alone. Russia, the Middle East, and South America will certainly contribute as much again.

Thus in 1944 we will be in a position to motivate several times the volume of striking power that Germany can. As a matter of fact we are now poised after long preparation to throw a billion barrel a year combat punch at our enemies. This year the Japs may be honored to the extent of a couple of hundred million barrels thrown by us in their direction, but Hitler, with his hundred million barrels war machine is right at this very moment looking down the muzzle of a five hundred million barrel calibre gun—it may even be much larger, and certainly will be if the war goes very far into 1945.

This wide disparity in motor fuel potential between our side and the Nazis is, in my opinion, among the most important advantages we have in this conflict. It means simply this,—that for every plane, tank or ship that Germany can throw against us we can counter with five, or thereabouts. No army, even one as superlatively good as the Reichswehr can stand up to such uneven odds indefinitely.

Were it not for this fuel disadvantage, Germany might stand us off for a long time—several years possibly. As it is, Germany appears to this observer to be a mathematically certain loser within a year.

So much for the outlook for the part oil will play in helping us win the war—the war we must win, or else.

Now on the industrial front, which is the subject I suppose I should have stuck to, the outlook for the current year at least can be summed up in a few words.

Let us first look at that old standby—supply and demand—which will give us the best clue to our oil outlook as it generally does with every other industry.

On the supply side of this equation it can be said with assurance that we will have no serious problems this year, or for several years to come. We will have adjustments to be sure, since, as our domestic reserves become strained to supply our needs, we will probably import more oil. Some day in the distant future we will be making part, and eventually all, of our motor fuel out of other hydro-carbons such as coal, oil shale and possibly even corn stalks. Natural gas, of which there is a great reserve in the country, is also a potential source of gasoline at a cost not much more than the present cost of gasoline to the oil refiners. We may have to pay a little more for motor fuel in future years, but it will never be necessary to ration us between wars—that is certain.

Now it so happens that this question of oil reserves, which is the long term phase of the supply side of our equation is presently receiving widespread attention in the press, various periodicals, and by sundry radio commentators. We have had in recent months a veritable epidemic of articles warning us of the crisis we are facing in what is referred to as the alarmingly dangerous position of the Nation's oil reserves at this time. The thesis developed by these articles is that we are now drawing on our oil reserve at the limit of its capacity to produce efficiently; that we are not finding new oil reserves as fast as this present rate of withdrawal, and that consequently we are losing our reserve position at a rate which is described as an alarming or critical threat to our national economy and safety.

Now, I don's pretend to say that such articles as for example the ones that appeared recently in Colliers and the Saturday Evening Post are harmful. They contain a lot of worthwhile information, but these articles are in popular style which is very much concerned with reader appeal, and not too compunctious about headlining the possibilities of calamity while keeping in very small print, or just forgetting to mention entirely the more plausible probability that the dire calamities of which they warn us will never materialize—at least within the lifetime of the grandchildren.

Anyway, I know that much of the popular literature on oil reserves has created some very erroneous impressions in the minds of many, and concern about the national oil reserve is widespread. I know this because of the almost daily calls on the telephone from some agitated friend who wants to know just how serious this oil shortage is going to be. I regret to say that a high proportion of my inquirers seem to be more worried about the outlook for their gas coupons than the broader implications of a national catastrophe.

It would be impracticable to attempt in the time available to go into all the factors of quantity, time, technological skill, etc. that enter into a complete elucidation of the national oil reserve outlook, but you can take my word for it that—the important fact to bear in mind despite these somewhat confusing writings and utterances to which I have just alluded, is that we are a long way from running out of oil in this country. Wallace Pratt, a Vice President of the Jersey Company, and an eminent student of petroleum economy, expressed the belief that there is another forty billion barrels of oil awaiting discovery within the continental limits of the United States. The consensus of well informed opinion supports this view.

It is generally agreed by competent estimators, that apart from this to-be-discovered reserve, we now have in sight a proved reserve in this country of some twenty billion barrels.

By simple arithmetic these two kinds of reserves add up to sixty billion barrels, of which twenty billion is proved, and forty billion reasonably probable, even though not actually spotted on the map.

Since our present production—now at its all time peak—is running around one and a half billion barrels a year, it is evident that this sixty billion barrels of domestic oil reserve is going to be a big factor in this country for at least another fifty years, and probably will not disappear completely from the picture for a much longer time.

Of course, the rate at which the presently undiscovered reserves become located by the oil explorer, or wildcatter, as he is generally called, will have an important bearing on short term phases of the supply outlook from time to time. Presently we are not finding the oil as fast as we should to be smugly comfortable. Some one has estimated that in the last five years we discovered a volume of new reserve equivalent to only three years consumption at present rate.

It is getting harder to find oil—the industry knows this full well—and by harder I also mean costlier. However, if the forty billion barrels of unfound oil is really there, the most elementary reasoning will demonstrate that it will be found if we work hard enough at it. In other words, if three thousand wildcat wells a year—our 1943 rate— won't maintain a sufficient reserve of producible oil to balance annual consumption demand, then maybe five thousand or ten thousand will.

Bear in mind there is practically no limitation on the drilling of these exploratory wells so far as geography goes. This forty billion barrels of to-be-discovered oil reserve is scattered around under approximately a million square miles of posible oil territory, distributed over some twenty or thirty states. This is a lot of wide open spaces and a few thousand more wildcat wells a year wouldn't be noticed by anyone but the statisticians. Except for possibly a litle incentive to work harder—to speak frankly, a little more dough for their oil—there is no reason whatsoever for believing the industry won't be able to find oil fast enough to avert any shortage that cannot be made up easily—first by imports, and ultimately by the synthetic oil industry, which industry will develop in this country as domestic oil becomes increasingly scarce.

Throughout the entire history of the oil industry the reserves of producible oil in sight have been kept in some sort of balance with demand by the activities of exploration which expanded and contracted through the years as oil became scarce or abundant. When oil looked scarce the price went up and with it the incentive to drill more wildcat wells. Exploration tapered off, as would be expected, whenever oil began to look like a drug on the market.

It so happens that for the last fifteen years or so we have been sitting on a very comfortable sized reserve. In fact, it was too big for comfort during much of that period. Wildcatting didn't stop during these years, of course, but it very definitely slowed up relative to the expansion in demand. It would have slowed up more if prices had followed the historic pattern of going down as reserves built up. However, the regulation of oil production by State law, known as proration, evolved during these lush years, and the price of oil except for brief periods during the early days of the East Texas field never got low enough to discourage exploration altogether. At the same time price during this period was never high enough to encourage a volume of exploration that was anywhere near the volume that the industry as a whole was financially capable of maintaining, and would have maintained had it looked like good business.

Now the first signals of approaching scarcity have made their appearance, and while some of us are viewing this with alarm in the public prints, the industry is merely waiting for the price signal and, incidentally, some more steel and labor that will provide the incentive and make it possible for it to step up its wildcatting activities.

Just by way of rounding out this story of exploration accomplishment, it should be noted that the weak showing over the last five years is partly responsible to lack of tools to work with. Forgetting the lack of price improvement which had always been a major influence before, this time the industry for a part of the five year period had O. P. A. to deal with, loss of skilled labor and sundry other obstacles occasioned by the war. These workers against the speed-up in drilling that would ordinarily have taken place in normal times. Considering the handicaps of the period, maybe it is fair to say that the industry did rather well to turn in even three years' new supply for the last five years of exploration.

While it is true that the domestic oil situation seemingly has passed through the era of superabundance, oil will become scarce in this country at a rather slow rate. The price of oil, therefore, based on the scarcity factor alone is not likely to skyrocket, though it is entirely reasonable to believe that the long term trend will be upward.

However, there will be a ceiling, at possibly double the current price, beyond which this upward trend can never pass. This ceiling will be the cost of motor fuel derived from hydrocarbons other than petroleum—so-called synthetic fuels—which cost even now would not make driving a car too much of a luxury. Of course these hydrocarbons other than petroleum include coal and oil shale which are measured in trillions of tons. I suppose a few thousand years hence when this supply begins to show signs of depletion, the commentators of that day and age will be exhorting their readers to be careful of their gasoline consumption as the atomic energy motor which, theoretically, will some day solve all our power problems, may not be perfected even in that far distant time.

As for demand—we have just witnessed the peak year of all time.

Production in the United States in 1943 was 1,500,000,000 barrels. It has been estimated that 27%, or 405,000,000 barrels was military consumption.

This year military use is likely to go up—non-military probably will hold about the same.

If the war in Europe goes beyond mid-year, the overall demand will almost certainly be as great in 1944 as in 1943. If the war lasts through the year, I look for a considerably higher demand on domestic production in 1944 than 1943. This could be as much as 10% more this year than last. My guess at this time is that demand this year, which is presently running about 7.5% above 1943 rate, will be at least somewhat higher than it was last year, as I do not look for Nazi capitulation before the latter part of the year.

When the war on both fronts ends there will be a considerable contraction in military use, and it is a question whether this contraction will be sharper than the buildup of the normal civilian demand.

Many factors enter this question and, in my opinion, a satisfactory answer cannot be formulated at this time. We know, for instance, that motor vehicle registration is presently back down to the 1938 level and that obsolescence is carrying it on down steadily. If the war should end sooner than most of us think, and demobilization should be very rapid, as I, personally, do not think it will be, we could experience a material drop in demand,—a drop that would not be arrested until the automotive industry tooled up and got a few million more cars back on the roads.

The whole question is further complicated by the rubber situation.

The one thing to bear in mind is that unlike so many industries, the effect of the war on oil has not been so much a matter of building up new business that will disappear after the war, but rather an internal shift within the industry itself from civilian to military consumption. The overall demand for oil is probably not running very much higher than it would had there been no war. That is, the normal peace-time growth in consumption probably would have brought the demand up to somewhere near the present level.

The post-war adjustment back to peace-time demand therefore doesn't involve a serious loss of revenue for the industry in the long term viewpoint. The worst that can happen, in my opinion, is a temporary drop of a few months—possibly a year, during the time required to adjust ourselves out of war and back into a 100% peace-time economy.

If there is no change in price, it is evident from the foregoing remarks that earnings of the industry in 1944 are likely to run about the same or a little higher than in 1943.

You all know about the Disney bill now pending before the Senate, which bill seeks to raise the price of oil on an average of 35 cents a barrel. Your guess as to whether this bill becomes a law is as good, or better, than mine. If it does become the law of the land, earnings in 1944 will be better than in 1943 for most companies. However, much of the new net that would result from such price increase for oil would be absorbed by excess profits taxes.

To sum up—I look for another year of good demand like that experienced in the year just passed. If we get an increase in price individual companies will show increases in earnings up to 25% or more. Others will show 10 to 15% improvement. If refined products prices do not move in parallel with crude oil some companies might be pinched and show earnings declines.

All in all, I look for the year 1944 to show earnings for the industry as a whole somewhat better than in 1943. If the price increase materializes the overall improvement might be of the order of 15%.

Industry Must Consider World Needs In Post-War Period, Says K. T. Keller

(Continued from page 500)

haps some of you may have read a recently published summary of what the Army's Intelligence Service finds about the enemy's military might.

"The gist of both of these documents is that there is nothing in the military or economic situations of our enemies to justify confidence in their early downfall, except at the cost of much greater losses of men and materials than this country has experienced thus far.

"Complacency here now would be as dangerous to our cause as complacency at the front. No matter what our political, social or economic views may be, it is up to us to continue to do everything we can to win the war fast."

"Some day, and I pray soon," said Mr. Keller, "the need for weapons of war will be interrupted, and I hope interrupted for many years." Remarking that "peace-time needs will again become important," he warned that "we will have to adjust to a peace-time economy," adding that "this is going to be very urgent business when the time arrives. We shall have problems that are real, actual and inescapable. They will call for more than paper planning."

He cited the demands which would be made on industry, as to which he said it "will have to think internationally as well as nationally," that it should make clear "certain elementary things about jobs," that it "needs to cooperate with representatives in Government in their efforts to formulate policies that are good for the American people," etc. His remarks follow:

"Getting into peace production will again bring industry under close public scrutiny. Many people will, and should, pass from industry to other occupations. Many who have now experienced factory employment will desire to remain. The level of industry employment will adjust itself to the volume of consumption our peace-time economy will support.

"Because so many people will be affected by the cessation of war manufacture and because time will again be needed to make the changes necessary before we can take up peace-time manufacture, it will be the job of reconversion that will then try the patience of all of us.

"The physical rearrangement of our production facilities will again call for the finest skills and the greatest ingenuity of experienced production engineers. Will this change be retarded by unfair criticism and officious bungling? Or will it be facilitated by realistic handling of our economic problems?

"Industry itself can do much to lead in a return to a normal and healthy peace-time economy.

"(1) A great demand will exist immediately for known goods and services. Efficient production of these goods, and economic rendering of these services must be industry's goal if our future economy is to be sound.

"(2) New devices and new services, in keeping with our broadened knowledge and experience, will be offered to enliven and expand our desires, and the benefits thereof should give us all the urge to work harder to have more.

"(3) While competitive in its business enterprise, industry will have many common problems related to our national economy. We shall get nowhere in the long run if every one deals with the little segment that represents his own special interest, instead of looking at things broadly, with the common interest of industry at large in mind. Equality of opportunity, which is a keystone of our free competitive enterprise, cannot be maintained against the pressure of blocs, pushing other people around for their own temporary advantage.

"(4) Industry will have to think internationally, as well as nationally. We live, economically speaking, by the exchange of goods and services. The needs and wants of people do not recognize State lines, whatever may be their political and social philosophies. Dissemination of knowledge, scientific as well as cultural, is world wide. It encourages men all over the world to seek opportunities and to develop new resources, new methods and new markets. All of this and its possibilities should be in industry's vision.

"(5) Industry recognizes and should make clear certain elementary things about jobs, that are simple but stubborn facts. Manufacturers do not provide jobs. Jobs are made by the customers who buy the things the manufacturer produces. Jobs beget jobs. We employ each other through the processes of purchase, production, distribution and service. This is merely primer economics, but primer economics need to become fashionable.

"(6) Industry needs to cooperate with representatives in Government in their efforts to formulate policies that are good for the American people. Businessmen should constructively advise and counsel with Government groups in the problems of transition to peace. I believe, that by and large, our Congressmen and Senators will take the time to analyze thoroughly the problems of industry, if industry will take the trouble to give them the facts, and to help them arrive at sound conclusions.

"This is my own observation as to the problem of terminating war contracts in such a way as to enable industry to reconvert quickly to peacetime production. I personally have found a very intelligent and realistic approach to this situation. It involves many things that can be done now without in any way interfering with our primary job of winning the war.

"This problem, it seems to me, is as much a physical as a financial one. Reduced to simple terms, it involves principally a few decisions on the part of the armed forces which can be readily made, at least for this purpose, without diverting the attention of the manufacturers from their war jobs. In fact, if these decisions would be made now, the result from an industry morale standpoint would aid rather than hinder the war effort.

"The country has converted most of its manufacturing facilities from peacetime operations to production of war goods. At least 1,500 additional plants have been built and equipped for war preparations. Now more than one-half the nation's total industrial output is war production. That offers one reason why we can build at least 9,000 airplanes a month, five ocean-going ships a day, tanks and cannon at whatever quantity is desired, ammunition in astronomical amounts, and about everything else that war requires.

"Thus, over $50,000,000,000 of pre-war, privately owned manufacturing plant and equipment has been increased by about $15,000,000,000 worth of government-owned plant and equipment. Visualize all of this in terms of building and machinery, and add to it the stockpiles of all sorts of supplies owned by the Government, which it is estimated will amount to about $50,000,000,000 when the war ends. You will then have some idea of the physical size of the job.

"Now bear in mind that what is privately owned, and what is Government-owned, is not nicely separated one from the other. Government-owned machine tools, for example, are scattered all through privately-owned plants and vice versa. And about the same thing can be said for materials. That will give you some idea of the physical nature of the job.

"The decisions that I believe can be made now, without interfering with war production, relate to such obvious considerations as these:

"To determine what the Government is going to ask industry to maintain, in the form of physical facilities, to support the armed forces in preserving peace after the war, and about this I will have more to say later.

"To decide which of these industrial units shall be retained in operating condition by the present custodians and operators.

"To decide what facilities the Government will wish to retain itself for the protection and maintenance of peace.

"To decide what Government equipment and materials in its own or privately owned plants the Government will wish to dispose of.

"To enlist them and earmark them for sale, under a sensible pricing and disposal procedure, then sell them now under conditions that will let them stay where they are as long as the war needs them.

"Finally, to arrange for the prompt removal of machines and materials that will be in the way of peacetime production when the war ends.

"It seems altogether sensible to me that these decisions should be made now. That would be post-war planning of a most effective and practical kind. It would not take industrial executives off their war jobs, and, more than anything else that either the Government or industry could do now, it would expedite getting back to peacetime production.

"Opportunity for steady employment for the generation now arising, whether in ownership, in management, or in labor, — and mass distribution, to match mass production of goods, — are all tied up in the way in which we get free from this war.

"The physical change-over will be a difficult part. As I have already pointed out, people got very impatient right after Pearl Harbor when industry cleared out its plants, set its own machinery in the yard, and nothing much seemed to happen for a while. Real activity actually was going on. New machines and the usable machines we had, were getting set up, with the necessary tools and fixtures for making war goods, and we were getting some pieces run off, preparatory to production itself. Even that was a simple situation as compared with reconversoin.

"Here, it seems to me, is a fine opportunity for the kind of intelligent cooperation between industry and Government, which I think is essential if the jobs that our fighting men will want, when they return, are going to be available to them as quickly as possible. It is the kind of cooperation which will help to get war industries back working for their customers, the people, when their present customer, the Government, turns them loose.

"After all, what is the America we wish to live in when this world struggle ends? I should like to give you, in closing, some of the broad strokes of the picture as it appears to me from an industrial point of view:

"I should like a realistic approach to world security. Many important new war devices have come from closely coordinated Government, industry and science.

"We should continue this research and development of war machines and materials by coordinating the knowledge of our physicists and scientists with the manufacturing skills of our engineering and production industrialists. This country should be willing, in the interests of world peace, to spend a great deal of money to assure ourselves the best weapons obtainable.

"World security, which means our own security, cannot be based on the number of tanks and cannon and other war machines that we have left over from World War II. It will be based on the supremacy of the weapons of the future. It is no idle thought, for example, to imagine an airplane with a range of 15,000 to 20,000 miles, flying at an altitude of 40,000 feet, carrying bomb loads 10 times as destructive as our most modern present-day explosives. And when such a weapon comes it should be America's weapon, the product of American science and industry, and its secrecy of design protected.

"There is a very effective channel through which we can focus attention on the importance of continuing this development work. that channel is the Army Ordnance Association, of which there is a Chicago post right here. I have no hesitancy in urging you to join it. Continuance in active being of the Ordnance-Industry team that is giving our Army today its superior weapons, if backed up by hundreds of thousands of Americans, would be a powerful influence in seeing to it that we do not again sink to the depths of unpreparedness in which Pearl Harbor found us.

"Through the channel of the Army Ordnance Association, the research, the designing, the proving and perfecting of weapons, which are necessary before their manufacture in quantity can be undertaken, can be stimulated and this important necessity kept before the American people.

"I should like to see the United States always so modernly prepared in its own industrial plants that nobody at any future time will dare to upset the peace of the world without reckoning deliberately on America's influence to determine the outcome.

"Let us make sure that the great forward strides we have made in the science of machine tool development for war purposes are riveted in our domestic peace-time economy. We have not been stripped of our industrial ability. We have been enhanced in it. Termination of the war should terminate the use of machine tools driven from line shafts. Industries that use machine tools should be completely modernized out of the surplus of machines made available when war production ceases.

"We should see to it that America's shops and plants are equipped to produce the highest standards of quality and at high productive levels. And to the extent that our surplus machines are needed here to replace the 10-, 20- and 30-year-old machines with which we went into this war, they should be left at home and utilized. It has been demonstrated in this war that the manufacture of large quantities of the latest weapons can be quickly accomplished when America's industrial plants are filled with the highest quality of machine-toool equipment.

"I should like to see the United States protect and guarantee its ability to produce its own needs in such basic commodities as alloy steels, synthetic rubber and other strategic items.

"Let us find some way to maintain, at least in standby condition, the plants we have built to assure America's position in such commodities. Before we decide to pick these plants up bodily and ship them abroad, let us make sure that America, in its desirable efforts to rehabilitate the world, shall continue to be equipped itself with the best facilities for producing these essentials.

"I should like to see the United States come out of this war with the American way of life and free enterprise on a sound footing.

"Let us build out future on the basis of encouraging the honest, the thrifty, the industrious and the able. We want our boys to come back to opportunities which encouragement of risk capital opens up to those who are willing to earn as well as to work—to opportunities that reward individual effort—and recognize individual merit. It is our sacred trust to see to it that those liberties inherent in the worth and dignity of the individual, the basis of the freedom they are fighting for, are preserved for them at home.

"I should like to see the United States, in its social, economic, political and spiritual life, set such a fine pattern that other peoples of the world and other nations, instead of regarding us as seeking to inflict our ways upon them, will wish to emulate our ways themselves.

"If such a picture is worth realizing, it is up to us now to make sure that our public policies, as well as our own individual activities, lead in that direction."

WFA Takes Over Some Of CCC's Power

Marvin Jones, War Food Administrator, on Jan. 22 stripped the $3,000,000,000 Commodity Credit Corporation and its President, J. B. Hutson, of important policy-making powers over the WFA's food production program, according to Associated, Press Washington advices on Jan. 22, which went on to say:

"The control taken from the CCC and its chief was divided between a new Office of Distribution, set up in place of the Food Distribution Administration and a new Office of Price, with the latter getting important farm price policy functions.

"Under the previous WFA set-up the CCC and Mr. Hutson had become the top ranking agency and official in food production aspects of the war food program. Mr. Hutson, as director of the Food Production Administration, and as head of the CCC, had control over the Agricultural Adjustment Agency, the Farm Security Administration and the Soil Conservation Service as well as supervision over price support programs for agricultural commodities.

"In today's order, the AAA, the FSA and the SCS regained the status of independent agencies, responsible only to Mr. Jones or his immediate assistants. Mr. Jones, in announcing the changes, said they were merely designed to speed up WFA operations, through more clearly defining administrative responsibilities and procedures, and eliminating duplication."

Pittsburgh Rys. Look Good

The current situation in Pittsburgh Railways System, particularly certain of the underlying bonds, offers attractive possibilities for appreciation, according to a study prepared by T. J. Feibleman & Co., 41 Broad St., New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

Interesting Situation

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting bulletin discussing the attractions of issues of the Chase National Bank. Copies of this bulletin may be had from Laird, Bissell & Meeds upon request.

Increased Pay For "White Collar" Workers Necessary Senate Subcommittee Told

Murray Appeals For Increase

Hearings to consider the situation facing "white collar" workers handicapped in meeting higher living costs by reason of the failure of this group to receive wage increases accorded those in other lines of work were begun in Washington on Jan. 25 before a special subcommittee of the Senate's Education and Labor Committee and were concluded on Jan. 29.

The plight of this class of workers, and others living largely on fixed incomes—estimated it is said at 15,000,000—as made known by six witnesses at the first day's hearing, is said to have developed sympathetic interest by three members of the sub-Committee present at the hearing. This was indicated in special Washington advices Jan. 25 by Frederick R. Barkley to the New York "Times," in which it is stated that the sub-Committee has no bill before it, and apparently has not approached any answer to the problem. According to Mr. Barkley's advices to the "Times," the complaints came chiefly from Philip Murray, President of the Congress of Industrial Organizations, who said steel workers' living costs had increased 50% since 1941; and Abraham Flaxer, President of the CIO's State, County and Municipal Workers Union, who held that such workers needed at least a 25% pay increase to raise them above the level of barest subsistence.

From the same advices we take the following:

"The only differences of opinion which arose in the day's testimony came between Mr. Murray and A. F. Hinrichs, Acting Commissioner of the Bureau of Labor Statistics, over how much living costs had increased.

"The Bureau's figure of 23.5% since January, 1941, might well be subject to some questioning, Mr. Hinrichs admitted, but he held that Mr. Murray's 50% estimate for a 'typical' steel worker was a 'very daring' one for anyone to present as typical. The Committee asked Mr. Hinrichs to come back later in the week after making a detailed study of Mr. Murray's figures.

"Mr. Murray, speaking extemporaneously, submitted budgets of what he called two 'typical' steel workers in his CIO Union to make his point about the 50% increase in living costs. The two examples, he said, were selected from a scientific study of 1,500 steel workers chosen at random in accordance with instructions from the Bureau of Labor Statistics on how to do the job.

"He asked that the sub-Committee investigate whether the Bureau's index really reflected the rise in food prices, quality deterioration and upgrading, disappearance of cheaper goods, rent increases and price increases and black market operations.

* * *

"Mr. Flaxer held that the health of the country's communities and their publicly employed workers had been endangered by substandard economic conditions created mainly by the war. . . .

Mr. Flaxer dwelt on employment in New York. Many public employees, he said, were continually "in hock" because of inadequate salaries.

Mr. Flaxer summarized his recommendations as follows:

"Upward adjustment of the Little Steel formula, raising pay standards in the local government service by 25%, time-and-a-half for overtime, and establishment of boards of arbitration and review on Federal and/or State and local government levels, where they may obtain redress of their grievances on wages, hours and working conditions."

Advices to insurance executives bearing on the hearings were addressed on Jan. 20 by the Insurance Department of the U. S. Chamber of Commerce in which it was noted that certain information has been requested by the Commissioner of Labor Statistics in behalf of the Special Senate sub-Committee from life, fire and casualty companies relative to home, office and branch office employees, with a view to learning whether salary scales were increased or supplemented since 1914. Paul L. Hardesty, Manager of the Chamber's Insurance Department, advised the insurance executives that "we are informed the object and purpose of these hearings (before the Senate sub-Committee) is to determine to what extent white-collar workers have suffered because of inability to secure wage increases to meet increased costs of living, and further to show what effect various Government orders have had in preventing companies from granting increases to this group." Mr. Hardesty went on to say that "the study, we are informed, also is assumed to show whther or not white-collar workers have been forced to surrender savings plans, insurance plans, etc."

Mr. Hardesty further said:

"The Special sub-Committee on Wartime Health and Education of the Senate's Education and Labor Committee is composed of Senators Pepper of Florida, Chairman; Thomas of Utah, Wherry of Nebraska, Tunnell of Delaware, LaFollette of Wisconsin. The Committee in the Department of Labor is not calling on insurance exclusively in its study of white-collar workers, but their investigation also includes such allied industries as banking, building and loan, utilities and all other groups employing large numbers of white-collar workers. Similar studies to this have been made in other industries during the past year by the Department of Labor."

Internal Revenue Commissioner Clarifies Policy As To Salesmen's Commissions, Etc.

The New York Stock Exchange has been advised by the Treasury Department of the following statement issued by Robert E. Hannegan, Commissioner of Internal Revenue, under date of Jan. 20:

"Robert E. Hannegan, Commissioner of Internal Revenue, clarified today the new salary stabilization policy which governs payments by employers of commissions, bonuses and other percentage-type compensation to employees, and extended the policy to cover 1943 as well as 1944 and subsequent years.

"The new policy for 1944 was announced by the Director of Economic Stabilization on Dec. 30, 1943. Commissioner Hannegan has since requested and received authority to harmonize the 1943 regulations with the 1944 policy in order to prevent discrimination and hardship. Formal regulations embodying the changes are being drafted, but the new policy is effective immediately.

"Since most 1943 payments already have been made, Commissioner Hannegan advised employers they may make supplementary payments to adjust 1943 payments to the new policy.

"The new policy permits employers to pay—without the formality of obtaining approval—any percentage-type compensation earned by employees under a contract or established policy of the employer, provided no change has been made in the percentage, method of computation, or the employee's base salary (if any) since the beginning of the salary stabilization program (Oct. 3, 1942, in the case of salaries over $5,000 per year; Oct. 27, 1942, in the case of salaries under $5,000 which are under the Commissioner's jurisdiction).

"These percentage types of compensation include commissions, bonuses and similar types of payments which are based on a percentage of sales, salary, profits, volume, new business or similar factors.

"Under the above conditions, the new policy permits payment of the percentages without regard to the dollar amount. The new policy rescinds former provisions which limited the dollar amounts to the level of 1941-42.

"Commissioner Hannegan explained that the effect of the new policy on 1943 payments is as follows:

"1. **Salesmen Earning Commissions Based on Their Own Individual Sales**—As a practical matter, the new policy makes no change in the compensation status of these employees since the former dollar-limit rule was suspended in these cases. However, these employees will now be reassured that the dollar limit has been formally revoked, as to employees whose rate of commission and base salary has not been changed.

"2. **Executives, Branch Managers and Others Earning Overriding Commissions or Percentage Bonuses**—Employers are authorized to adjust any 1943 payments in accord with the new policy. For example, if an employee in 1943 was entitled by contract or established policy to receive a percentage bonus amounting to $1,000 but was paid only $900 because of the former regulations, he may now be paid the remaining $100 without formal approval provided that no change has been made in the percentage, method of computation, or base salary. If the percentage, method of computation or base salary has changed and the employer believes an adjustment is warranted, he may apply for a ruling to the field office of the Salary Stabilization Unit of the Bureau of Internal Revenue, in the region in which the employer has his principal place of business."

Previous items in the matter approved in these columns Nov. 18, 1943, page 2019; Nov. 4, page 1798, and Oct. 14, page 1506.

Investors Syndicate Elects Directors

Court Dismisses SEC Action

MINNEAPOLIS, MINN.—Paul E. Von Kuster, President of the David C. Bell Investment Company of Minneapolis; John M. Harrison, Vice President of Marsh and McLennan, Minneapolis; and The Honorable Henry M. Gallagher, Ex-Chief Justice of The Minnesota Supreme Court, Waseca, Minnesota, were elected directors of Investors Syndicate by the stockholders of the corporation.

E. E. Crabb, President, and E. M. Richardson, Vice President and Treasurer, were re-elected to the Board of Directors.

Mr. Von Kuster, in addition to heading the firm of David C. Bell and Company, is a director of The Midland National Bank of Minneapolis and a director of the Real Estate Title Insurance Company of Minneapolis. He is prominently identified with the civic and business life of Minneapolis and has served as a member of the Charter Commission for the City of Minneapolis.

Mr. Harrison, actively engaged in the insurance business since 1900, has long been prominent in civic and business affairs in Minneapolis. He is also Chairman of the Hennepin County Chapter of the American Red Cross.

Justice Gallagher was appointed Chief Justice of the Minnesota Supreme Court in 1937, resigning that office on January 2, 1944, to resume the private practice of law.

Upon motion of Edward H. Cashion, Counsel for the Securities and Exchange Commission, Judge Gunnar H. Nordbye, of the District Court of the United States for the District of Minnesota, on Jan. 17 dismissed the two remaining counts in the action of the Securities and Exchange Commission against Investors Syndicate and its affiliated companies, Investors Syndicate of America, Inc., and Investors Mutual, Inc.

Conferences working toward settlement of the action have been under way, both in Minneapolis and Philadelphia, for several weeks.

The other fourteen counts were disposed of on Oct. 18, 1943, by a Consent Decree enjoining the companies from engaging in certain sales practices — practices which Investors Syndicate denied it or its affiliated companies ever had or intended to engage in.

Judge Nordbye's order thus brings to a termination the action brought against the Syndicate group of companies by the Securities and Exchange Commission last July, and described by the SEC at that time as "the biggest case it ever handled."

W. H. Oppenheimer, Counsel for the corporations, stated to the Court, "This settlement in no way involves any admission on the part of the defendants or any of them of any wrongdoing, but has been actuated by a desire to avoid protracted litigation which it was felt would, regardless of the outcome, be harmful to all concerned; and of assuring the Securities and Exchange Commission of the desire of the defendants to comply with all applicable statutes and the rules, regulations, and orders of the Commission."

Earl E. Crabb, Chairman of the Board of Directors of Investors Syndicate, said, "We believe that, in the interest of the companies and their many security holders residing in all parts of the United States, that the thing to do was to arrive at a settlement of this case on a fair and constructive basis, rather than to proceed with a lawsuit which at best would have been prolonged, expensive to the companies and disturbing to the security holders.

"We have entered into a voting trust agreement which names three independent trustees of Investors Syndicate, men of the highest standing in this community. These trustees who have been elected directors of Investors Syndicate are Henry M. Gallagher, until January 1 Chief Justice of the Supreme Court of the State of Minnesota; John M. Harrison, Executive Vice-President of Marsh & McLennan of Minneapolis; and Paul E. von Kuster, President of the David C. Bell Investment Co. of Minneapolis.

"The solvency of our companies was not questioned in this action."

Corporation Income Tax And Stockholders

Editor, Commercial & Financial Chronicle:

American stockholders are subject to double taxation. British stockholders are not. Yet Britain had balanced budgets and high employment before 1939. Our corporation income tax penalizes risk taking. Its other evils are cited in the attached brief and letters. What is the remedy? We can apply the experience in improving the capital gains tax.

In 1938, purely as a public service, I initiated a move to relax the capital gains tax, and urged it repeatedly before the Senate and House Committees, and in 1942 enlisted the aid of the American Taxpayers Association, Mr. Godfrey N. Nelson of the New York "Times," and Mr. Emil Schram of the New York Stock Exchange. As a result the 1942 Revenue Act cut the holding period to six months, as urged in my 1938 brief. Copies are available.

Thereafter, again as a public service, in 1942 and 1943 before both Senate and House Committees I pleaded against any further rise in the corporation income tax during the war, and favored a shift to the British basis after the war. On my advice the American Taxpayers Association and the Investors Fairplay League issued summaries of these briefs to their members. But wider public interest seems desirable to obtain legislative relief.

The corporation income tax yielded about $5,000,000,000 of revenue in 1943 and thereby reduced the market value of shares of American corporations by about $80,000,000,000. The Treasury's loss of revenue in eliminating the corporation income tax would be largely recouped. Higher dividends would increase revenue from individual income taxes. The corresponding recovery in stock prices would increase revenue from estate taxes.

If the corporation income tax were eliminated after the war what would happen? Confidence in stocks would grow. Stock yields would fall. New stock issues would increase. Business would expand. Employment would rise. Transition to peace would be smoother. Private enterprise would function more freely. Besides, taxes are an item of cost. For railroads and utilities, with regulated rates and limited returns, the tax in some cases is confiscatory and may be unconstitutional. Elimination of the tax would lower costs, expand volume, benefit consumers, and permit the legally authorized return.

What can be done now? Stockholders must be educated. They number about 9,000,000, according to the TNEC. Corporations should present the facts, through the forthcoming annual report, quarterly statements and notices accompanying dividend checks. The combined burden on each stockholder of both individual income tax and corporate income tax should be shown for typical small, medium and large stockholders owning varying number of shares and also having varying typical "other income." The enclosed Treasury analysis shows that our burden on the small stockholder is much greater than the British. Each stockholder could also figure his own "double tax" burden. My Brief may be quoted.

If these facts are clearly stated and widely disseminated, public opinion should support legislative proposals not to increase our corporation income tax during the war, and after the war to abolish it and shift to the British basis of taxing stockholders once only.

ELISHA M. FRIEDMAN.

40 Wall Street,
New York City,
Jan. 18, 1944.

Attractive Situation

Class A stock of Chicago and Eastern Illinois offers an attractive situation at current levels according to an interesting analysis prepared by Raymond & Co., 143 State St., Boston, Mass. Copies of this discussion may be obtained upon request from Raymond & Co.

Emergency Board Judgments In Rail Disputes Should Be Final During War Period

(Continued from page 500)

ing anybody as to the purport of the views I shall here endeavor to express. I am not at all sure that my sentiments and opinions would be endorsed by anyone prominent in the domain of either management or labor. But, despite these considerations, I have concluded to express my individual opinion as to how these labor disputes should be handled for the balance of the war period."

In presenting his suggestions he said:

For years the press has teemed with references to the Railway Labor Act and its admirable machinery for settling controversies as to rates of pay and working conditions. Reference is made constantly to the fact that as a result of its beneficent operation there has been no serious interruption of traffic as a result of strikes for nearly 22 years, the last serious difficulty of this nature being in 1922, when a nationwide strike occurred among the mechanical forces on the roads. That strike resulted from dissatisfaction with the decision of the old Labor Board, created by the legislation of 1920.

That Board, composed of representatives of the public, management and labor, passed out of existence in 1926 with the enactment of the Railway Labor Act, amended in important particulars in 1934. The 1920 Act proved satisfactory to neither labor nor management. Its conclusions were rejected by a large segment of labor, resulting in the shop strike of 1922. One of its decisions was sharply challenged in court by an important railroad, resulting in a Supreme Court decision in 1923, holding that the decisions of the Board were not enforcible by legal process and that they had no force except as an appeal to public opinion.

Here then was a Board with an anomalous status, neither flesh nor fowl. It was something more than an advisory board, clothed only with power to recommend. It purported actually to fix wages and determine working conditions. And yet there were no sanctions in the Act that compelled obedience. It was just a voice crying in the wilderness to which angry and excited partisans paid little heed. I may be justified in saying also that the public members, in whom resided the power of decision, were not always selected solely by reason of their demonstrated competency to pass upon the technical niceties that attend labor disputes.

And so it came about that when the futility of this Board had been amply demonstrated the railroads and their employees, after protracted consideration and as a result of many conferences, agreed upon the provisions of the 1926 Railway Labor Act, and the agreed measure was promptly ratified by Congress. Over the protest of management the Act was amended in important particulars in 1934, but we need not concern ourselves at this moment with the details of the amendments. We are concerned, rather, with the operation of the original Act and the Act as amended.

The theory of the Railway Labor Act is that there should be no provision for decisions that either party is legally bound to accept. It provides for conference, mediation, arbitration and fact-finding. The law prohibits strikes or lock-outs until the procedures prescribed in the Act have been followed through. If negotiations on the properties fail, as they nearly always do, the Mediation Board steps in and endeavors to compose the differences by friendly negotiation. In no major dispute in recent years have these mediating efforts been successful. When tne futility of furtner mediation efforts becomes apparent it is the duty of the Mediation Board to endeavor to bring about an agreement to arbitrate by a board of three or six, composed of neutral and partisan arbitrators. Neither party is obliged to agree to arbitration, but if there is an agreement to arbitrate the decision of such a board is binding upon both parties to the dispute. It is interesting to note that in every nationwide labor dispute that has arisen in recent years management has invariably agreed to arbitrate and labor has just as consistently refused. It is my understanding that this attitude on the part of labor is due to the fact that it is the settled policy of the unions to agree to no type of procedure that will prevent it from exercising its economic power, which is an euphonious reference to the privilege of striking. If arbitration is not accepted by the parties and the Mediation Board, looking at the picture as a while, believes there is danger of an interruption of traffic the President is notified and he appoints an Emergency Board, charged with the duty of ascertaining the facts and making recommendations to the President as to the right of the matters in controversy.

This is the Board which has always functioned in the case of major labor disputes arising since the passage of the Railway Labor Act. As I have pointed out, the conclusions of this Board are not binding upon the parties. As a matter of fact, the conclusions have not always been accepted. In 1938 the carriers proposed a reduction in rates of pay which the Emergency Board dissapproved; the carriers acquiesced. But in 1941, when an Emergency Board recommended increases which were unsatisfactory to the employees and a strike was called by the leaders of labor to enforce their demands, the strike was averted only as a result of an agreement by management to pay more than the Emergency Board thought justified, which agreement grew out of the mediatorial efforts of the President of the United States and the members of the Emergency Board functioning as mediators.

In the latest dispute, coming to a climax late in 1943, the award of the Emergency Board as to the wages of the non-operating brotherhoods was, after some delay, accepted by both men and management, only to be rejected by the Director of Economic Stabilization as being, in his opinion, not in accord with the standards of the Stabilization Act as interpreted by the War Labor Board. In the case of the operating unions the award of the Emergency Board was rejected by the unions and accepted by the carriers. But in justice to the unions involved it should be stated that this decision reflected the views of the Stabilization Director rather than the independent views of the members of the Emergency Board. It is safe to say that the machinery of the Act would have been sufficient to settle the controversy amicably if the Stabilization Director had not intervened.

This is by no means to say that his action was necessarily unjustified. If the Stabilization Act called for his intervention unquestionably it was his duty to act. Whether the Stabilization Act actually applied to railroads may be the subject of a lively lawyers' debate.

To me it is clear that a recurrence of what lately happened should not be permitted and that it should be prevented at all costs, even if legislation is necessary. In fact, the non-operating brotherhoods, after there had been an agreement between employers and employees, asked Congress to approve the settlement by special enactment. A bill to that effect passed the Senate but has been delayed in the House. That body has under consideration a bill to prohibit interference by the Stabilization Director. Or, in other words, the suggestion is that all railroad labor controversies should be worked out under the machinery of the Railway Labor Act, without reference to provisions of the Stabilization Act.

There is something to be said for this point of view. Certainly the entrance of the Stabilization Director into the theater of action did not result favorably, either from the viewpoint of good labor relations or in relation to the problem of inflation. For a long time the legislative tendency has been to regard transportation, and particularly the railroads, as deserving of treatment other than that accorded to industry generally. Thus railroads have their separate systems of retirement and unemployment allowances; they compensate for injuries without reference to the ordinary Workmen's Compensation Acts; they have this special plan for disposing of labor controversies about which we have been talking. It may be plausibly argued, therefore, that this historical difference in treatment justifies the proposal.

But if the railroads are to be governed in the matter of wage disputes soley by the procedure of the Railway Labor Act, at least for the war's duration, the judgments of the fact-finding board should be final, conclusive and binding on all the parties. As the law stands now, neither party is privileged to ignore the judgments of the Emergency Board. Without raising any question as to the fairness and adequacy of such an arrangement in normal times, and realizing the force of objections to any law that arbitrarily controls either individual or collective action, it seems to me that in time of war, when sacrifice is the watchword of the nation, the legislative body may well provide that the decisions of the arbitral body shall have the force of compulsion.

Nor do I believe that the nation's policy of stabilization in the interest of avoiding inflation would be grievously wounded by leaving all matters at issue to the judgment of a board organized under the Railway Labor Act. If competent and patriotic men are selected to make the decisions it cannot be assumed that they will disregard the interests of the nation in this very important matter of price control. Indeed, the board that gave the eight cent award in the recent case of the non-operating unions expressly recited in its judgment that due consideration had been given to the provisions of the Stabilization Act and the Executive Orders interpreting and applying it. If it should be concluded that an expert in stabilization should participate in the hearings and decisions it may very well be provided that the Stabilization Director or his selected representative should sit upon the arbitral board, with power to vote, though not to veto.

If it be thought that such authority is inconsistent with the general theory as to the function of a Presidential Emergency Board, consideration might be given to making arbitration compulsory, with the Stabilization Office represented as an additional arbitrator. In this connection all who are interested in the question may profit by reading the unanimous opinion of the Supreme Court of the United States in the Toledo Peoria and Western case in which the Court, only ten days ago, refused to allow a court of equity to enjoin acts of violence by striking employees solely on the ground that the railroad had refused to arbitrate.

Whether the views I have expressed are sound or not, something should be done to prevent another like Comedy of Errors, which but for good luck and the good sense and cool judgment of some of the participants might well have become a Tragedy of Errors.

J. P. Morgan & Co., Inc. Earnings $4,332,020

In his report to stockholders at the annual meeting on Jan. 19, George Whitney, President of J. P. Morgan & Co., Inc., New York, pointed out that operations during 1943 had "naturally been shaped largely by the nation's war effort." Mr. Whitney's report showed that net earnings for 1943 were $4,332,020 against $3,251,131 in 1942. The bank's net earnings before security profits of $987,302 were $3,344,718, compared with $2,998,428 in 1942, when security profits were $252,703.

The report also says:

"A post-war adjustment reserve has been established and there has been credited thereto $140,000 charged to expenses in 1943, in addition to $100,000 which was similarly charged in 1942.

"The net earnings for 1943 amounting to $4,332,020 as above, were credited to undivided profits, from which account $1,200,000 has been disbursed to the stockholders in dividends, and $1,847,904 transferred to general reserve, leaving a net balance in undivided profits of $3,101,624 on Dec. 31, 1943, an increase during the year of $1,284,116."

Mr. Whitney said that, in general, deposits have stood at higher levels. He added that loans connected with the war effort, especially Regulation V loans, which are partly guaranteed by the U. S. Government, have increased, while loans for normal commercial purposes have remained at low levels. He also stated that participation in the financing program of the Government has continued and its holdings of United States Government securities have increased.

Capital funds and general reserves of company totaled $50,333,924 on Dec. 31, 1943, and consisted of capital, $20,000,000; surplus, $20,000,000; undivided profits, $3,101,624, and general reserves, $7,232,300.

The bank's holdings of U. S. Government securities of $487,615,089 amounted to about 64% of the total assets compared with about 60% at the close of 1942. Mr. Whitney said they averaged about five and one-half years to maturity or about three years and one month to earlier call date.

From Mr. Whitney's report we also quote:

"The company's investment in Morgan Grenfell & Co., Ltd., was reduced and somewhat changed in character during the year. The investment formerly consisted of £267,600 4½% preference shares and £1,000,000 "A" ordinary shares. As the result of a recapitalization and reclassification of shares by Morgan Grenfell & Co., Ltd., and of disposals by the company of preference shares, the company's holdings were reduced to £183,000 4% preference shares and £250,000 ordinary shares, and the company received £801,140 in cash which, being subject to the restrictions of the British finance regulations, has been invested in relatively short-term sterling securities. The voting trust, mentioned in the last report to stockholders, relating to the company's holdings of ordinary shares of Morgan Grenfell & Co., Ltd., was terminated during the year."

Reference is made in the report to the admission of the company as a member of the Clearing House Association, on Oct. 29, 1943, which has previously been noted in these columns. Likewise the report makes mention of the death of Mr. J. P. Morgan, Chairman of the Board, on March 13 of last year (also referred to by us at the time) after more than 50 years of continuous service in the business, and observes that "prior to becoming Chairman of the Board upon the incorporation of the company, he had been the senior partner in the firm of J. P. Morgan & Co. since the death of his father in 1913. His loss is irreparable. But the uncompromising standards of business integrity for which he stood will continue to guide those whom he has left behind."

Following Mr. Morgan's death, Thomas W. Lamont became Chairman of the Board of Directors, and R. C. Leffingwell became Chairman of the Executive Committee. The offices of Vice-Chairman of the Board and Vice-Chairman of the Executive Committee were abolished.

Result Of Treasury Bill Offerings

Secretary of the Treasury Morgenthau announced on Feb. 1 that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated Feb. 3 and to mature May 4, 1944, which were offered on Jan. 28, were opened at the Federal Reserve Banks on Jan. 31.

The details of this issue are as follows:

Total applied for, $2,459,243,000; total accepted, $1,003,742,000 (includes $71,527,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price, 99.906; equivalent rate of discount approximately 0.374% per annum.

Range of accepted competitive bids:

High, 99.920; equivalent rate of discount approximately 0.316% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(23% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Feb. 3 in the amount of $1,002,630,000.

With respect to the previous week's offering of $1,000,000,000 of 91-day bills dated Jan. 27 and maturing April 27, the Treasury disclosed the following results on Jan. 24:

Total applied for, $2,290,465,000; total accepted, $1,015,849,000 (includes $66,702,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price, 99.905; equivalent rate of discount approximately 0.374% per annum.

Range of accepted competitive bids:

High, 99.925; equivalent rate of discount approximately 0.297% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(32% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 27 in amount of $1,008,065,000.

With respect to the offering of two weeks ago of $1,000,000,000 of 91-day bills, dated Jan. 20 and maturing April 20, the Treasury disclosed the following results on Jan. 17:

Total applied for, $2,273,537,000; total accepted, $1,017,180,000 (includes $59,463,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price, 99.905; equivalent rate of discount approximately 0.374% per annum.

Range of accepted competitive bids:

High, 99.925; equivalent rate of discount approximately 0.297% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(33% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 20 in amount of $1,000,766,000.

SEC Asks To Vacate Order Permitting Department Intervention In NASD Case

The filing by the National Association of Securities Dealers Inc. of a motion and supporting brief, with the Securities and Exchange Commission requesting that the Department of Justice's appearance be vacated in the proceedings before the Commission involving the NASD and certain of the Underwriters of the $38,000,000 Bond issue of the Public Service Company of Indiana that was sold in 1938, was made known by the SEC on Jan. 29. The latter in its announcement stated that the NASD asserts "among other things that the Department of Justice has no interest in the proceedings which entitles it to intervention, that the rule does not apply to proceedings of this type, and that it is invalid." Accordingly, says the SEC "the Commission will consider the briefs filed by the NASD and to be filed by the Department of Justice with respect to the motion of the NASD, will afford an opportunity for oral argument before the Commission if requested by either of the parties, and will render its decision upon the question of participation in these proceedings by the Department of Justice."

Reference to the granting of permission to the Department of Justice to intervene was made in these columns Jan. 13, page 168. In calling upon the Commission to set aside its order, the NASD declared that the concept of fair play had been clearly violated, it was reported in Philadelphia advices Jan. 26 to the New York "Times" which pointed out that the Commission in its action of Jan. 5 had indicated that the Department was interested in whether or not underwriting agreements, one of the factors involved in the Public Service of Indiana case, were in violation of the Sherman Anti-Trust Act. From the Jan. 26 account from Philadelphia to the "Times" we also quote:

The NASD not only challenged the right of the department to intervene, but criticized the SEC for its failure to notify the Association that the Department had applied for such intervention until after the application had been granted.

The NASD charged that the right to intervene had been granted on Dec. 27, but that it was not served with a copy of the petition to intervene until it had requested one in writing on Jan. 14. In the meantime the NASD said it had been served with a copy of the order granting a leave to intervene to the Department.

The Department did not, the NASD charged, fulfill the requirement of Rule XVII (A) of the commission, regarding intervention by governmental representatives and agencies, by showing legitimate interest in the case.

"We are familiar with no statute which authorizes the Department of Justice to appear as a party in any proceeding or in any forum. Where the Department of Justice may invoke intervention in appropriate forum, it is only on behalf, in the interest and in the name of the United States * * * (not) as some sort of an anomalous legal entity quite distinct from the United States" the NASD charged.

Nothing the SEC could determine regarding whether there had been a violation of the anti-trust laws could affect the Department's power to enforce those laws, the NASD continued, declaring that circumstance "deprives the Department of Justice of those extra-legal arguments of alleged necessity which are sometimes sought to be made the justification of extra-legal action."

The NASD said that the proceeding begun in 1941 had been a matter of public record since March, 1942, and that the Department was, or should have been, on notice of it ever since.

"Now, after briefs have been submitted by both interested parties in the controversy and after the proceedings would have been submitted on oral argument but for, first, other commitments of the commission, and second, the subsequent illness of counsel, the Department of Justice seeks leave to intervene."

An application merely to file a brief as a friend of the court would have been "altogether too late" at that stage, the NASD said.

The NASD complained that the Department of Justice was attempting with SEC approval to make the Public Service of Indiana case "the vehicle of some enlarged inquiry," and said that nothing in the legislative history of the Maloney act, under which the Association was established, carried any suggestion or implication that such could be the case.

"Needless to say, if any such possibility had been considered to exist, however remotely, no securities association could ever have been organized for registration or would ever have been registered under the Maloney act; and the Congressional purpose to encourage self-regulation of the securities business would have been nullified at the outset," the NASD said.

The case involves the right of the NASD to punish members who violate the agreed offering price of a security. In this instance the association fined about 70 of the underwriters of the 1938 issue for alleged failure to hold to the agreed offering price of 102.

In its announcement of Jan. 29 the SEC in indicating the basis of its action in support of intervention by the Department of Justice said:

"On December 28, 1943, the Department of Justice filed with the Commission a document requesting intervention in the proceedings before the Commission under the Securities Exchange Act of 1934 to review the disciplinary action taken by the National Association of Securities Dealers, Inc., against certain of its members for violation of the price-maintenance provisions of the syndicate agreement used in connection with an offering of bonds of Public Service Company of Indiana. Rule XVII (a) of the Commission's Rules of Practice provides, in part: "Any interested . . . agency . . . of the United States . . . shall become a party to any proceeding upon the filing of a written notice of appearance therein." The Commission raised no question as to the form of the application and granted intervention.

Rottenberg With Noyes

CHICAGO, ILL.—Arthur I. Rottenberg has become associated with David A. Noyes & Co., 208 South La Salle St., members of the New York and Chicago Stock Exchanges. Mr. Rottenberg was previously connected with Brailsford & Co., Webber, Darch & Co. and other La Salle St. firms.

how's YOUR quota?
4th WAR LOAN
YEAR OF DECISION

...YOUR 4TH WAR LOAN QUOTA

WHETHER your plant meets its quota, or fails, lies largely in *your* hands. Your leadership can put it over—but if you haven't already got a smooth running, hard hitting War Loan Organization at work in your plant, there's not a minute to lose.

Take over the active direction of this drive to meet —*and break*—your plant's quota. And see to it that every one of your associates, from plant superintendent to foreman, goes all-out for Victory!

To meet your plant's quota means that you'll have to hold your present Pay-Roll Deduction Plan payments at their all-time high—plus such additional amounts as your local War Finance Committee has assigned to you. In most cases this will mean the sale of *at least* one $100 bond per worker. It means having a fast-cracking sales organization, geared to reach personally and effectively every individual in your plant. And it means hammering right along until you've reached a 100% record in those *extra* $100 —or better—bonds!

And while you're at it, now's a good time to check those special cases—*growing more numerous every day*—where increased *family* incomes make possible, *and imperative,* far greater than usual investment through your plant's Pay-Roll Deduction Plan. Indeed, so common are the cases of two, three, or even more, wage-earners in a single family, that you'll do well to forget having ever heard of '10%' as a reasonable investment. Why, for thousands of these 'multiple-income' families 10% or 15% represents but a paltry fraction of an investment which should be running at 25%, 50%, or more!

After the way you've gone at your wartime *production* quotas—and topped them every time—you're certainly not going to let anything stand in the way of your plant's breaking its quota for the 4th War Loan! Particularly since all you are being asked to do is to sell your own people the finest investment in the world—*their own share in Victory!*

LET'S ALL BACK THE ATTACK!

This space contributed to Victory by

THE COMMERCIAL AND
FINANCIAL CHRONICLE

This is an official U. S. Treasury advertisement—prepared under auspices of Treasury Department and War Advertising Council.

STANY Appoints 1944 Standing Committees

The following standing committees for 1944 have been appointed by The Security Traders Association of New York, Inc.:

Arrangement Committee—Michael J. Heaney, Chairman, Joseph McManus & Co.; Frank A. Pavis, Chas. E. Quincey & Co.; William T. Schmidt, Laird, Bissell & Meeds; Stanley C. Eaton, Bendix, Luitweiler & Co.; C. Jerome Aal, Abraham & Company; William H. Pflugfelder, Pflugfelder, Bampton & Rust; Allison W. Marsland, Wood, Gundy & Co.; Stanley M. Waldron, Wertheim & Co.; Gustave J. Schlosser, Union Securities Corp; John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane.

Tax and Legislation Committee—P. Fred Fox, Chairman, P. F. Fox & Co.; E. Everett Van Tuyl, Van Tuyl & Abbe; Wellington Hunter, Hunter & Company; William K. Porter, Hemphill, Noyes & Co.; Walter F. Saunders, Dominion Securities Corp.

Municipal Committee—Harry J. Peiser, Chairman, Ira Haupt & Co.; John M. Gertler, Gertler, Stearns & Co.; J. William Roos, MacBride, Miller & Co.; T. Geoffrey Horsfield, Wm. J. Mericka & Co., Inc.; Roald Morton, The Blue List.

Auditing Committee—David R. Mitchell, Chairman, Blair F. Claybaugh & Co.; Walter Mewing, D'Assern & Co.; John Butler, Huff, Geyer & Hecht.

Reception Committee — John Kassebaum, Chairman, Ingalls & Snyder; Harold B. Smith, Collin, Norton & Co.; Benjamin Van Keegan, Frank C. Masterson & Co.; Wilbur R. Wittich, Wyeth & Co.; Walter F. Saunders, Dominion Securities Corp.; Stanley Roggenburg, Roggenburg & Co.; B. Winthrop Pizzini, B. W. Pizzini & Co.; T. Frank Mackessy, Abbott, Proctor & Paine; William K. Porter, Hemphill, Noyes & Co.; Joseph Janarelli, Freeman & Co.; John J. O'Kane Jr., John J. O'Kane Jr. & Co.

Bowling Committee — Arthur Burian, Chairman, Strauss Bros.; George Leone, Frank C. Masterson & Co.; Joseph Colandro, White, Weld & Co.

Publicity Committee—Herbert Allen, Chairman, Allen & Co.

Employment Committee—Wilbur R. Wittich, Chairman, Wyeth & Co.; T. Frank Mackessy, Abbott, Proctor & Paine.

Reorganization Rails Comprehensive Analysis

The fourth of the Campbell Series of analytical studies of reorganization railroad securities is now on the press. More comprehensive than the previous analyses, this new report covers the securities of the following seven reorganization rails: Seaboard Air Line; Denver & Rio Grande Western; St. Louis-San Francisco; Missouri Pacific System; New York, New Haven & Hartford; Chicago, Milwaukee, St. Paul & Pacific; and Chicago, Rock Island & Pacific. The report includes traffic factors and statistical resume showing trends and standard of measurement for these rail securities as compared with 20 of the leading solvent roads; 20-year record of earnings applicable to fixed and contingent charges together with fundings and all dividend requirements of new issues to be traded; arbitrage tables covering these seven roads so that the buyer may obtain the new reorganization securities at the lowest possible prices predicated upon the Campbell evaluations.

The price of this new report is $7.50. Checks should be sent with all orders — address Thomas G. Campbell, Railroad Consultant, C. E. Stoltz & Co., 25 Broad St., New York City.

NASD Profit Limitation Rule Would Close Capital Markets To Small Business

(Continued from page 499)

tioned this. In any event, they were no longer in doubt on this score when they received a copy of a letter dated Nov. 9, 1943, which had been previously sent to all members of the District Business Conduct Committees, and read the following paragraph: "In the final analysis, the Business Conduct Committee must be impelled to act where a member sells securities at a price which bears no reasonable relationship to the current market. Isolated transactions, where the spread or mark-up is in excess of 5%, may warrant only informal inquiry or a precautionary letter but where *practice* is established, formal complaint procedure is the recommended course."

When the rule was first promulgated the contention was advanced that since large Wall Street firms doing a volume business and those not having a retail sales force can operate on a smaller mark-up basis they, therefore, should have been excluded from the survey. Other objections to the official implications drawn from the survey were made in articles in the "Chronicle" and in letters received from its readers.

Wholly aside from this phase of the subject, the fact of the matter is that if this rule is not rescinded or abrogated and is enforced, it will have the effect of changing the entire custom of the securities business[2] regarding mark-ups since the survey in question shows that a large percentage of the members do not comply with the 5% gross mark-up rule. In this event, the result will be that at least 30% of the small dealers will be obliged to close their doors and seek employment in another line of business or become salesmen for one of the large investment firms. It must be remembered, too, that the Rule does not take expenses into consideration. It does not limit a dealer's net profits but his gross mark-ups. And since the "powers that be" in this association do not have the power to fix rents, fix wages, fix wire service fees and all other costs pertaining to maintaining a business, who is to say what the effect of this Rule will be a year or two, or more from now? What will be its effect if dealers are confronted with a few years of sluggish, inactive business? The answer, of course, is that only large dealer organizations with enough capital to live through a long period of high costs and a small volume of business will survive.

To the rank and file of large dealers 5% seems like a very large gross charge and many of them will, on reflection, observe that their profits would have been quite satisfactory in recent years if they had applied the 5% maximum charge rule. Despite the fact that this rule did not exist, it is observed that a large percent of the membership charged less than 5% and, in fact, it appears that a large volume of business is done at 3% or less. The principle itself is unsound, undemocratic, unfair and is just another rule toward the regimentation of the capital markets on the road to bureaucratic control and totalitarianism.

If the NASD Governing Board wishes to engage in the realm of *philosophy*, suppose we ask the simple question, Why was a large percent of the business done at a gross of 3% or less as indicated by the survey? (And keep in mind very definitely that these charges and these business practices developed without any rules or regulations handed down from the inner sanctum at Philadelphia.) It seems clear that the reason is the cost of doing business, the competitive efforts of dealers to get and hold business and that strong underlying desire of every business that wishes to build up and live to deal fairly with its customers and make a good impression of dependability, honesty and fair practice.

The fact, however, that some dealers have found it necessary to charge 5%, and some even more, is no indictment of these dealers until each case is examined. The volume of business, the costs of doing business, the costs of running offices in different places, and a great variety of factors in each particular transaction must determine the costs and the fair charge for performing such services.

The 5% Rule and Small Business

If the 5% rule stands and is enforced many dealers will, as previously pointed out, cease selling the securities of the smaller, little known companies and will handle the stocks and bonds of large, well known corporations only, as these can be placed with only a fraction of the time and effort. This policy will have an adverse effect on the securities of the smaller corporations now on the market and as time goes on it will consequently make it more and more difficult for small corporations to raise funds through our capital markets as heretofore.

It seems difficult for any public official to make an announcement these days without adding his sympathy for small businesses and praising their valuable service and necessity in post-war employment and production. These same public officials point out from time to time the necessity for risk capital. Even some of them go so far as to advocate that the Government or the Federal Reserve banks make loans to these small businesses and be prepared to absorb the losses.

Recently, the Secretary of Commerce, Mr. Jesse H. Jones, in speaking of that largest segment of our so-called free enterprise system, said in part,

> "**Small business role concerns its essentiality to small community life. Our Nation is predominantly made up of small towns and cities. Their business life is predominantly in the hands of smaller establishments. When they ail financially the entire community suffers. And whether the wartime expediency of decentralization in manufacturing remains after the war or not, the many small producers and distributors will be needed in a thriving state.
>
> "**Small enterprises must be maintained because they are the essence of democracy. Without them, private initiative with its accompanying risk-taking will be stifled. Without them the democratic system as we have known it will cease to exist."

Perhaps no one in this country has better reason to know the problems of business than Mr. Jones. But his excellent recommendations cannot be carried out unless small businesses can have free access to the capital markets. If the capital markets are strangled with control and regulations which make it impossible to serve this risky and speculative field of small enterprise, our system of free enterprise and private initiative will be undermined and destroyed in the cradle of its mainspring.

Another matter concerning this principle of a gross fixed charge which should be borne in mind by the security dealers and by all others concerned is the fact that a fixed charge or fixed rate of any kind, whether it be a minimum or a maximum, has always tended to become the flat charge because it is legal. This fact is well known by labor. One of their most difficult fights has been the conflict between a minimum wage and a wage which should be paid to employees on their merits. The strong tendency has been for the minimum wage to become the wage. This wage has been more than some employees have been worth, often, but more often it has established the wage at which many deserving employees work because it was the legal wage. Similar statements might be made about attempts to fix prices of products and to fix rates for services. The gross charge or the maximum charge has always tended to become the charge, and the efficient entrepreneurs who could do business at lower charges are always well within the law by making the maximum charge, and thus they have a sheltered monopoly profit.

If the NASD Board would extend its vague thinking into the realm of "philosophy" and express a clear interpretation of this principle in words that the trade could understand, it would undoubtedly make clear the fact that while 71% of the transactions reported by those who answered their questionnaire involved a gross charge of 5% or less, with this rule established the tendency will be for the gross charge to be 5%. (The Board fears this and cautions members against raising their usual mark-up.) This will be the legal charge. It will be the charge within the rules of the association. It will be the charge that every clerk and every partner can immediately levy in each trade and save valuable time and discussion and, this charge being legal, most customers will accept it. Competition in the business will go out the window with the rising costs which most dealers expect and almost everyone else expects in the next few years. The small independent dealers will be driven out of business and a few large dealer organizations will monopolize this trade to the detriment of not only the small dealers that are forced out, but to the detriment of the public who are seeking investment service in the over-the-counter business, and to the detriment of the many small businesses who need capital, as well as add to the stagnation of business with reduced production and employment.

No one would question the need for ethics in this business, or in any other business, for that matter, but law and rules in violation of sound business principles have never yet created honest individuals and have maintained honest business practices only on the surface. It is just as unethical for a dealer to do business at substantially less than cost, which will sooner or later force him out of business and deprive him and his family of satisfactory living conditions, as it is to do business at an unfair charge above costs which is unjust to the buyer or seller.

The 5% gross mark-up rule is unfortunate and unsound in principle and should not be permitted to stand.

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(1) No inkling as to the use the information was to be put to was given in the letter accompanying the questionnaire. In fact, a reading of it would have led the recipient of it to

New Tax Bill Agreed To In Conference

Agreement was reached on Jan. 31 on the new tax bill by the Senate and House conferees, who undertook to adjust the differing provisions of the revenue-raising legislation proposed by both branches of Congress. As approved by the conferees, it is estimated that the bill will yield $2,315,800,000 in new revenue, which compares with $2,139,300,000 as the bill passed the House on Nov. 24, and $2,275,600,000 as adopted by the Senate on Jan. 21. It falls considerably short of the Administration request for $10,500,000,000, but is expected to increase the Government's total annual income to more than $43,500,000,000 a year. On Jan. 28 the House conferees agreed to accept the Senate's proposal to freeze social security taxes for old age and survivors' benefits at 1% for 1944, instead of permitting the rates to double on March 1, as provided under existing law; the conferees in their concluding action agreed to retain the 1% rate. One of the final acts of the conferees was the acceptance of a series of amendments to the War Contracts Renegotiation Act whereby the Government recovers allegedly excessive payments for war material. Also, it was noted in the Associated Press accounts, the conferees before disposing of the bill rejected a House amendment which would have taxed pari-mutuel betting at race tracks 5%. Senator Barkley (D.-Ky.), one of the Senate conferees, had fought the tax, it was stated, declaring that the expense of regulating race tracks was borne by the States and that it would be unfair for the Federal Government to step in and levy its own tax.

The Associated Press advices from Washington, Jan. 31, further stated:

Individuals will be called upon to bear an additional $664,900,000 a year in income taxes.

The additional income tax receipts will come largely from abolition of the earned income credit and from disallowance of deductions for Federal excise taxes paid.

House plans to integrate the victory tax with the income tax were abandoned on the ground the resultant system would be too cumbersome. However, the victory levy was made a flat 3% rate on all income over $624 a year, in place of the present 5% gross tax with varying adjustments for family status.

The income and victory tax changes do not affect 1943 taxes, returns on which are due March 15.

More than a billion dollars of the increased revenue will come from new and higher excise taxes on articles and services.

The stiffest new rate is 30%, levied on patrons' checks at cabarets and night clubs.

The rate on cosmetics and toilet articles rises from 10% to 20%. Admissions to movies and other places of entertainment will be taxed 1% on each five cents of charge—double the current rate.

Liquor will bear a tax of $9 per 100-proof gallon in place of the present $6. The tax on beer rises from $7 a barrel to $8, and the rates on wine also go up.

Furs, jewelry and luggage take a new 20% rate. The tax on railroad, bus, boat and airplane tickets rises from 10% to 15%. A similar boost was voted against local telephone service.

The new excise rates take effect March 1, provided the bill becomes law by Feb. 19.

Postal rate increases total $96,900,000 a year, and include a rise from six to eight cents in the air mail rate, application of the full three-cent rate for locally delivered letters, and higher C. O. D., registration, insured mail and money order charges. Third class postage rates were left unchanged.

Washington advices, Jan. 31, to the New York "Times" stated:

The individual income tax rates were not changed, both Senator George and Representative Doughton, Chairman of the Ways and Means Committee, agreeing that the average person had about as big a tax load as he could carry. . . .

The change in the Victory tax will help single taxpayers who, because they are allowed less credit for insurance, debts and other payments than married persons, are now paying a Victory tax rate of 3.75. Most taxpayers, however, taking into account the repeal of earned income credit and the disallowance of excise tax deductions, will pay more in 1944, if they earn the same amount, than they did on 1943 income.

Estimates have been made that a married person, with two dependents, earning $2,500, would pay about $19.60 more in 1944 than in 1943, and one earning $10,000 about $80.87 more. On the other hand, a single person, without dependents, earning $2,500 would pay about $1.16 less, and one earning $10,000 about $18.65 less. The total increase in income taxes under the new bill is estimated at $664,900,000.

The excess profits tax on corporations is raised from 90% to 95%, and the credit on invested capital is reduced slightly. Otherwise the corporation tax schedule remains as it is. The total resulting from the changes is estimated at $502,700,000 in additional revenue.

The dispute over renegotiation involved primarily the scope of court review and the definition of sub-contracts, said the Washington "Times" advices, Jan. 31, which further stated:

The Senate had approved renegotiation provisions which, in the opinion of the Administraton, emasculated the Renegotiation Act. After a strong protest by Secretary Morgenthau and other Administration spokesmen, the Senate rewrote the renegotiation sections and, in the opinion of some House conferees, went too far.

The House had provided for review by the Court of Tax Appeals of all contracts that had been renegotiated, whether there was a voluntary agreement or whether the Government decided upon the amount to be repaid in war profits without the consent of the contractor. The Senate definition of sub-contract also was almost as broad as it is in the Renegotiation Act, but the House redefined subcontracts in a way which sharply limited the application of renegotiation.

As the bill stood tonight, court review was limited to contracts in which a unilateral decision was made, and the redefinition of subcontract is just about as broad as it is now, with the exception that an amendment was added to exclude office supplies.

The conferees also struck out a provision in the Senate bill which would have exempted most machine tool contracts from renegotiation, and provisions in both bills which were intended to exempt processed foods and dairy products.

The Senate had inserted provisions that problems arising in connection with post-war reconversion should be taken into account in renegotiation, as well as the question of whether profits remaining after payment of taxes were excessive. The conferees struck these out also.

The Administration had some objections to an amendment inserted by the conferees to the effect that profits accruing by reason of an increase in the value of large inventories, accumulated to fill war contracts, should be exempted from renegotiation. Nor does the White House favor the termination date of Dec. 31, 1944, written into the bill, although the President may extend this period for six months.

The five Federal agencies with powers to renegotiate war contracts, the Army, Navy, Treasury, Reconstruction Finance Corporation and Maritime Commission, are expected to recommend, however, that the bill be signed. One of the conferees said after the meeting that while Congress had its way on taxes, the Administration had its way on renegotiation.

Recent items on the tax measure appeared in our Jan. 27 issue, page 400, and Jan. 20, page 266.

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believe that the report was intended to supplant examinations by field inspectors.

(2) In the Charles Hughes & Co. case the SEC, in an attempt to prove to the U. S. Circuit Court of Appeals in this District that it was justified in revoking the firm's dealer-broker registration for marking up securities on the average by 25%, pointed out that an NASD Business Conduct Committee had fined a member dealer $500 for making a practice of marking up securities by only approximately 10%.

The Commission contended that when the Hughes firm sold securities substantially above the prevailing market price without disclosure of the mark-up to the customer, such practice constituted fraud and deceit upon the customer. Now the way the SEC is attempting to show that a dealer's mark-up practices do not have a reasonable relationship to the current market price is to establish the fact that the "custom of the trade" is to go in for smaller mark-ups. Hence the Commission's citation of the disciplinary action of an NASD Committee in a 10% mark-up case. The Court affirmed the Commission's order revoking Hughes & Co.'s dealer-broker registration and in its opinion made reference to this citation.

Bond Club Of Chicago To Hold Annual Dinner

Slate Of Officers

CHICAGO, ILL.—The 33rd annual dinner and meeting of the members of The Bond Club of Chicago will be held in the Crystal Ballroom of the Blackstone Hotel on Friday, Feb. 4, 1944.

The nominating committee, consisting of T. Weller Kimball, Chairman, S. E. Johanigman and F. F. Patton, will submit for approval the following nominations for officers and directors for the coming year:

President: George F. Spaulding, The Northern Trust Company.

Secretary: James P. Feeley, The First National Bank of Chicago.

Treasurer: William A. Fuller, William A. Fuller & Co.

For directors to serve for one year, the officers and Milton S. Emrich, Harris, Hall & Company; Hardin H. Hawes, Harris Trust & Savings Bank; Eugene Hotchkiss, Lee Higginson Corporation; D. Dean McCormick, Kebbon, McCormick & Co.; Paul L. Mullaney, Mullaney, Ross & Company; and Alfred S. Wiltberger, Blyth & Co., Inc.

DIVIDEND NOTICES

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 181
COMMON DIVIDEND No. 145

A quarterly dividend of $1.50 per share on the Preferred Stock and a dividend of 20¢ per share on the no par value Common Stock have been declared, payable March 20, 1944, to stockholders of record at the close of business on February 23, 1944.

Checks will be mailed.

C. A. SANFORD, *Treasurer*

New York, January 26, 1944.

COLUMBIAN CARBON COMPANY

Eighty-Ninth Consecutive Quarterly Dividend

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of $1.00 per share, payable March 10, 1944, to stockholders of record February 11, 1944, at 3 P. M.

GEORGE L. BUBB
Treasurer

THE BUCKEYE PIPE LINE COMPANY

26 Broadway

New York, January 26, 1944.

A dividend of Twenty (20) Cents per share has been declared on the capital stock without par value of this Company, payable March 15, 1944 to stockholders of record at the close of business February 18, 1944.

J. R. FAST, Secretary.

GREEN BAY & WESTERN RAILROAD CO.

The Board of Directors has fixed and declared Five percent to be the amount payable on Class A Debentures (Payment No. 48), a dividend of Five percent to be payable on the capital stock and one and one-half percent to be the amount payable on Class B Debentures (Payment No. 31) out of the net earnings for the year 1943, payable at No. 20 Exchange Place, New York, N. Y. on and after February 21, 1944. The dividend on the stock will be paid to stockholders of record at the close of business February 11, 1944.

C. W. COX, Secretary.

New York, January 31, 1944.

THE UNITED STATES LEATHER CO.

A quarterly dividend of $1.75 per share has been declared on the Prior Preference stock of this Company to be paid April 1, 1944 to holders of record at the close of business March 10, 1944.

C. CAMERON, *Treasurer*.

New York, January 26, 1944.

United Shoe Machinery Corporation

The Directors of this Corporation have declared a special dividend of 62½c per share on the Common capital stock, payable February 28, 1944, to stockholders of record at the close of business February 1, 1944.

WALLACE M. KEMP, *Treasurer*

LIQUIDATION NOTICE

The First National Bank located at Butte in the State of Nebraska is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment.

ED. S. DONAHUE, President.

Dated December 2, 1943.

DIVIDEND NOTICES

Atlas Corporation

Dividend on Common Stock

NOTICE IS HEREBY GIVEN that a dividend of 25¢ per share has been declared on the Common Stock of Atlas Corporation, payable March 10, 1944, to holders of such stock of record at the close of business February 15, 1944.

Dividend No. 30 on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending February 29, 1944, has been declared on the 6% Preferred Stock of Atlas Corporation, payable March 1, 1944, to holders of such stock of record at the close of business February 15, 1944.

WALTER A. PETERSON, *Treasurer*

January 27, 1944.

THE ATLANTIC REFINING CO.

COMMON DIVIDEND
NUMBER 154

At a meeting of the Board of Directors held January 31, 1944, a dividend of twenty-five cents per share was declared on the Common Stock of the Company, payable March 15, 1944, to stockholders of record at the close of business February 21, 1944. Checks will be mailed.

W. M. O'CONNOR
Secretary

January 31, 1944

Borden's

COMMON DIVIDEND
No. 136

An interim dividend of forty cents (40¢) per share has been declared on the outstanding common stock of this Company, payable March 1, 1944, to stockholders of record at the close of business February 15, 1944. Checks will be mailed.

The Borden Company
E. L. NOETZEL, *Treasurer*

EATON MANUFACTURING COMPANY

Cleveland, Ohio

DIVIDEND NO. 76

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75c) per share on the outstanding common stock of the Company, payable February 25, 1944, to shareholders of record at the close of business February 10, 1944.

H. C. STUESSY,
Secretary - Treasurer

January 28, 1944

FINANCIAL NOTICE

Chicago, Milwaukee, St. Paul and Pacific Railroad Company

SEEKS NAMES AND ADDRESSES OF BONDHOLDERS.

Trustees of the Railroad are seeking names of the holders, their addresses and the amount of bonds held by them to enable the Interstate Commerce Commission to submit such plan of reorganization as may have their approval and that of the District Court. The following are the issues outstanding:

CM & St. P. Ry. Co. General Mortgage
CMStP. & P. RR Co. 5% bonds of 1975
CMStP. & P. RR Co. Convertible Adjustment
Milwaukee & Northern RR Co. First Mortgage
Milwaukee & Northern RR Co. Consolidated Mortgage
Chicago, Milwaukee & Gary First Mortgage

Section 77 (c) (5) of the Bankruptcy Act requires any one having information as to the names and addresses of holders of any securities of the Debtor Company to divulge such information to the Trustees. Responses are to be made to R. J. Marony, New York Fiscal Representative, 52 Wall Street, New York 5, N. Y.

NASD Business Conduct Finance Committees

The National Association of Securities Dealers, Inc. announces appointment of the following committees to serve in 1944:

Finance Committee: Harry W. Beebe, Chairman, Harriman, Ripley & Co., Inc., New York; Ralph Chapman, Farwell, Chapman & Co., Chicago; R. Winfield Ellis, Lee Higginson Corporation, Chicago; Albert Theis, Jr., Albert Theis & Sons, Inc., St. Louis; Wallace H. Fulton (ex officio), Philadelphia.

National Business Conduct Committee: Ralph E. Phillips, Chairman, Dean Witter & Co., Los Angeles; Peter Ball, Ball, Coons & Co., Cleveland; John H. Barret, Stern Brothers & Co., Kansas City; Hagood Clarke, Johnson, Lane, Space and Co., Inc., Atlanta; Samuel K. Cunningham, S. K. Cunningham & Co., Inc., Pittsburgh; Robert S. Morris, Robert S. Morris & Co., Hartford; Norman Nelson, Piper, Jaffray & Hopwood, Minneapolis.

Bankers Trust Co. On Money Market Outlook For 1944

(Continued from page 499)

Fourth War Loan Drive succeeds as well as previous drives, the Treasury will not need to borrow directly from the commercial banks during the remainder of this fiscal year ending June 30, 1944, and, if the European war is over in 1944, perhaps not for the duration. The government deficit for this fiscal year will probably not be over $53 billion, including net expenditures of government corporations and agencies, and the Treasury had already borrowed $29 billion by Dec. 31, leaving $24 billion to be financed. Probably $6 billion of that wil be raised through savings bonds, savings notes, and special issues during the period not covered by the next war loan. If the Fourth War Loan Drive should succeed in raising $18 billion, the Treasury, without any further borrowing, could end the fiscal year with about the same working balance it had on June 30, 1943—nearly $9 billion.

The Secretary of the Treasury has stated, however, that he anticipated another war loan drive in May with about the same goal as the fourth drive—$14 billion. A drive at that time would avoid the necessity for a campaign during the summer months. It may also indicate a policy on the part of the Treasury of endeavoring to maintain a larger working balance. If sales should aggregate $16 billion in the May drive, the Treasury might end the fiscal year on June 30, 1944 with a working balance of nearly $25 billion. The policy of carrying a larger working balance will put the Treasury in better position to meet any possible extraordinary expenditures after the end of the war, such as mustering-out pay or outlays in connection with the termination of war contracts.

Even though the banks may not be asked to subscribe directly to further Treasury issues, they may continue to purchase government securities in the open market in connection with future war loan drives, as they have in previous drives. It is impossible to say how much such purchases may be in 1944, but they might aggregate five or ten billion dollars.

Bank Deposits—The growth in bank deposits will probably follow about the same trend as bank holdings of government securities. Changes in the volume of loans one way or the other will probably not be large enough to affect total deposits materially. It is conceivable, therefore, that deposits in 1944 might increase only one-half or one-third as much as in 1943.

While it is impossible to predict with any certainty what the actual post-war changes in deposits will be, there is little reason to anticipate a major decline. The recent growth has been based on the expansion in bank holdings of government securities, rather than on business loans that might be liquidated in a period of depression. About the only way that deposits could be reduced substantially would be through debt retirement or the sale to the public of securities now held by the banks, neither of which is likely to materialize in the period immediately following the war.

In fact, there is a possibility that deposits might expand somewhat further in the post-war period, especially if continued deficit financing and the redemption of securities held by the public should make it essential for the Treasury to borrow from the banks after the war. Even a decline in deposits as a result of debt retirement might be offset by other factors such as business loans, security loans, or the purchase by banks of municipal and corporate securities. The probabilities are that we will have a high level of deposits for many years and the general trend may be slowly upward rather than downward.

There may be important shifts in deposits after the war, however. The uneven growth in the various parts of the country during the war period has been indicated in a previous section. The reconversion from war production to civilian enterprise may bring important shifts in both population and deposits. Some communities that have had a mushroom growth as a result of war industries may lose deposits; others whose industries are still predominantly civilian may gain. The older communities, with a tradition for saving, may gain deposits, while some of the newer ones may lose. Communities whose war industries cannot be converted to civilian production will probably face the biggest problems. The agricultural communities may continue quite prosperous during the first year or so after the war when we are helping to feed Europe. But if demands for agricultural products should fall off materially after that, some of the agricultural districts might lose deposits on balance.

Money in Circulation—The volume of money in circulation may reach a peak in 1944. Payrolls and national income have about reached maximum levels, barring a sharp rise in wages and prices, and there is already some indication that the rate of increase in money in circulation may be slackening. The increase over the corresponding month of the previous year was sligfhtly less at the end of December than it was in August.

How much the return flow of currency will be after the war depends largely on general business conditions. Incomes of many war workers will be lower and there may be some unemployment. A lower volume of business will require less currency, and some of the currency that has been saved may be spent when more goods become available.

The return of currency from circulation will increase bank reserves and help to offset the effect of any further increase in deposits. In fact, it is possible that the Federal Reserve System may find it necessary to reduce its holdings of government securities in order to absorb excess reserves if the return flow of currency should prove to be too rapid.

Future of Interest Rates

The present pattern of interest rates will no doubt be maintained for the duration of the war. Mr. Daniel W. Bell, the Under-Secretary of the Treasury, in an address at Worcester, Mass., on Dec. 16, 1943, said: "Interest rates have remained stable during the war-time period, and confidence in the continuation of this stability has been and is widespread and well justified, and has caused investors to subscribe to new issues of Government securities in successive war loans without any sign of holding back in anticipation of hgher rates."

The Federal Reserve System will probably continue to supply, through open market operations and by the purchase of Treasury bills offered by member banks, any reserves needed during the war period. The Reserve authorities have been reluctant to reduce reserve requirements, believing that post-war adjustments can be met more easily by selling securities than by raising reserve requirements again. Reducing reserve requirements, moreover, might not be the most effective method for providing reserves under prevailing conditions, because it would not place all the released reserves in the market where they would be needed most, *i.e.*, in the central reserve cities. It might leave New York and Chicago still in need of funds, while some other communities would be accumulating more excess reserves.

In view of the probable changes in 1944, such as the reduced rate of increase in bank deposits and money in circulation, and the possibility that later on money in circulation may actually begin to decline, it is reasonable to assume that reserve requirements will not be reduced in 1944. In the December, 1943, issue of the Federal Reserve Bulletin, the Board of Governors said: "Under existing Federal Reserve policies . . . the large amounts of certificates, as well as of bills, now held by banks provide the means for obtaining at low rates any amount of additional reserves that banks may need."

Post-War Rates—There is little doubt that the Government and the Federal Reserve System will attempt to maintain substantial stability in long-term rates for some years after the war. The exact structure of rates and security prices, of course, may not be maintained, but it seems highly improbable that the Government would permit any material decline in the prices of its securities during the period af adjustment when the refunding problem is great and the necessity for maintaining a high degree of confidence is so essential. Costs to the Government and risks involved for both the Government and the banking system would be too great. In their own interests the banks will probably give full support and cooperation to the Government in its efforts to maintain stability in the prices of its securities.

In Aprl, 1943, Sir Kingsley Wood, the late Chancellor of the British Exchequer, in commenting on post-war financial policy, said it was the Government's intention to maintain its present policy of cheap money after the war. He sad further: ". . . we have revolutionized public opinion as to what are fair rates for Government war borrowing." In commenting on the latter statement the Under-Secretary of the U. S. Treasury, in his address referred to above, said: "I believe that this revolution in my opinion has a sound basis in underlying economic realities, and is applicable to the coming times of peace also. I hope that the policies of the Government will be directed to this end."

The question may be raised as to whether some or all of the following factors might not tend to push rates upward in the post-war period regardless of present policies and intentions; further deficit financing, redemptions of bonds held by the public, increasing bank loans, large security issues by municipalities and corporations, substantial foreign lending, possible outflow of gold, and public reaction against Government controls.

It will take a year or so after the end of the war for the Government to reduce expenditures to the level of receipts. It is entirely possible that this continued deficit financing, together with the redemptions of savings bonds held by the people and the reduction of Government security holdings by corporations, might make some further borrowing from banks essential. The revival of private industry may result in an increase in bank loans, and greater activity in the capital issues market may also lead to substantial demands for more credit and investment funds. Foreign lending may add to the demands, but will probably not reach very large proportions, at least not for a few years. All these possible demands added together, however, will probably not bulk large in comparison with the borrowings now necessary for financing the war. Furthermore, it would be easy to exaggerate the possible credit and capital demands that may arise. Redemptions of savings bonds may be more modest than is sometimes supposed, and bank loans may not rise very rapidly.

The large volume of available investment funds that undoubtedly exists in the country will probably be an important offsetting factor to the demands listed above. Furthermore, it a high level of business activity is maintained in the post-war period, savings will no doubt rise correspondingly to met capital demands. There are some who believe that savings will outrun capital demands and tend to maintain low interest rates even without money market controls.

If, as is anticipated, there should be a substantial return flow of currency, it might build up bank reserves fast enough to prevent, for a period at least, any particular upward pressure on interest rates. In fact, as pointed out above, the Federal Reserve System may be faced at times with the problem of absorbing excess reserves rather than supplying additional reserves.

It is not anticipated that there will be any important outflow of gold for the first few years after the war. Some countries may want to take home a part of their earmarked gold or convert some of their dollar assets into gold, which could be supplied by the stabilization fund.

The probabilities are, however, that for a few years after the war the United States may gain gold on balance. Most foreign countries need our goods more than our gold. They may spend or invest in this country substantial amounts of their funds already here, perhaps to the extent of releasing some of their earmarked gold, and some of them may ship new gold in exchange for buying power in this country. Most countries of the world have some gold, and many have substantial gold reserves. It is estimated that about $13 billion of gold is owned outside the United States. Furthermore, the world production of gold will probably rise again to over a billion dollars per year after the war.

The public may react against many kinds of government controls after the war, but there is no reason to suppose that this will apply to money market controls designed to maintain low and stable interest rates.

Maintaining stability of long-term rates over a period of years does not necessarily mean that all rates will continue to be pegged at exactly present levels. Some changes may occur, especially in short-term rates. The very fact that rates are stabilized works against the present structure because it gradually removes the fear of price fluctuations in longer-term securities and lessens the inducement for concentrating so heavily in short-term obligations. As the debt gets into more manageable shape, short-term rates could be allowed to rise somewhat, and the spread between short and long rates reduced.

Extensive corporate financing after the war might tend to increase somewhat the spread between rates on Government securities and rates on corporate securities. The small amount of corporate financing in recent years has tended to depress corporate yields and to reduce unduly the spread between corporates and Governments. The maintenance of low rates for Governments, however, would mean comparatively low rates all along the line. Money market controls and other factors which stabilize rates on Government securities at low levels will necessarily have a similar effect on other very high-grade securities.

By maintaining a reserve position that will preserve substantial stability in interest rates and Government securty prices, it necessarily follows that banks will have sufficient funds to take care of loan demands. It would defeat the whole purpose of market management to leave banks in a position where they are forced to sell substantial amounts of securities in order to make necessary loans. The commercial banks of the country increased their holdings of Government securities by $19 billion in 1943, and this was done without any difficulty because the Federal Reserve banks supplied the reserves. It will be just as essential for the Federal to supply the reserves in the case of business borrowing as in the case of Government borrowing, if stability of interest rates and security prices is to be maintained.

Unlisted Trading Plea of N. Y. Curb Opposed

Four-fold opposition to the applications of the New York Curb Exchange to extend unlisted trading privileges to the common stocks of six corporations developed as hearings before Willis R. Monty, SEC trial examiner, opened at Philadelphia, Jan. 26.

Three of the companies involved — Merck & Co., Lukens Steel Co. and Warner & Swasey Co.—are opposing the applications and thus supporting the cause of the National Association of Securities Dealers, Inc., which has taken the position that the applications of the Curb Exchange are a "raid" on its membership.

The Association is contending that since several of the companies involved are closely-held organizations, whose securities are heavily owned by families, the over-the-counter market is the logical one for the limited number of shares available for trading.

Over-Counter Favored

Edward H. Green, Chairman of the Finance Committee of Merck & Co., Inc., testified that his company would prefer to continue over-the-counter trading in its $1-par-value common stock until such time as it was in a position to list the stock on the New York Stock Exchange, thus entering exchange trading "through the front door."

Mr. Green explained that more than 500,000 of the 1,000,000 outstanding shares of Merck & Co.'s common are held by the Merck and Rosengarten families, and that other large blocks are owned by Harvard University, Smithsonian Institute and other large institutions. Because of this there is little trading at present, he said, and any trading on the Curb "would not reflect the true market value of the securities."

Curb's Position Stated

Under questioning by Orrin Knudsen, counsel for the SEC's trading and exchange division, Mr. Green stated that listing of the company's stock on the Curb Exchange would not cure the "spread" of from 2 to 2¾ points in the stock which is said to exist in the over-the-counter markets in some sections of the country.

The advantages of trading on the Curb Exchange were listed by Fred E. Moffatt, President pro tem of the exchange. These he enumerated as the open competitive method of doing business, the active supervision by the exchange and its staff and committees, and the fact that the securities traded in are available for use as collateral.

Other securities which the Curb Exchange has applied for permission to extend unlisted trading privileges are the common stocks of Puget Sound Power & Light Co., Northern Natural Gas Co., and Public Service Co., of Indiana.

"Are We To Foresake Our Traditional System Of Free Enterprise And Adopt A System Of Regimentation And Bureaucracy?"

By Hon. **FRED L. CRAWFORD**

(Continued from first page)

thereafter nominated Abraham Lincoln for the Presidency and saved the Union. Your Governor is a graduate of the University of Michigan and came here to study and practice law.

I do not know how you feel about it. But in Michigan, we are hopeful that the Republican Party in 1944 will nominate a candidate for the Presidency who will meet the real issue which is very concretely stated in the subject that we are discussing today. I do not wish to mention any names because your Governor is not a candidate. But it is in order to observe that your Governor's home state is as proud of him as you are, and I know of no one more fitted to present this issue successfully to the country than he.

Supporting the sound and fundamental observations just made by Senator Hawkes, permit me to submit some statistical data which will in more detail impress upon your minds the value of our traditional system of free enterprise.

Do you know that here in the United States our people enjoy a level of individual possessions so much higher than that enjoyed by any other people on earth that it is rather academic to even make a comparison? However, let me emphasize the fact in this manner: A standard of living is one of the four freedoms so often referred to. Now, let us make some comparisons of relative *national* standards of living.

With sufficient information available to enable us to determine broad international ranking, and through a series of indicators of differences in the per capita quantum of goods and services utilized annually in given countries, let us proceed. We shall use for comparison the leading 14 nations and apply our indicators thereto. We find our death rate is only 11.5 people per 1,000 inhabitants, while the average is 13.5. Our percentage of occupational population engaged in professional service amounts to little over 5% against slightly less than 4% for the average. We have over 61% of our population aged 5 to 20 years attending elementary and secondary schools, while the average is only 45%. And we all enjoy receiving mail amounting to 207 pieces per capita against an average of only 124 pieces.

And do you ever use the telephone? Why, certainly—and such instant service. We have over 148 telephone instruments per 1,000 population, but the average is just over 52. Telegrams transmitted per capita are more than two times the average.

Those big railway locomotives we have 52 per 1,000 inhabitants, but the average for all the countries (and you have seen some of their very small ones) amounts to only 31. In motor vehicles we so far excel in ownership per 1,000 inhabitants that we have six to one.

Take our luxury food consumption: In peace-time we were consuming about 108 pounds of sugar per capita, but the average was less than 70 pounds. And in coffee, tea, and cacao, with practically all imports, we were using over 16 pounds per capita with an average of about 13 pounds. Citrus fruits and bananas 2½ pounds to one pound average.

Now let us measure our economic blessings with another yardstick. In terms of national income in the United States, as compared to that of foreign countries, using 1937 as a fairly normal year, we have in total national income for the United States $71.5 billion; Germany, 32.4; United Kingdom, 28.5; France, 9.5; Japan, 5.9; Canada, 4.3; Australia, 3.1; with the Netherlands, Sweden, Denmark, Norway and New Zealand all each ranging under $3 billion national income. The per capita national income in dollars in the United States was 536; Australia, 446; Canada, 374; France, 234; Germany (under heavy war stimulation), 421; Japan, 73; New Zealand, 408; United Kingdom (moving into war), 500.

Another popular illustration which we might use is that we find in the radio world. Radio receiving sets owned by our people number over 59 million. These represent over 53% of all sets in the world. This compares to Germany's 13 million, or 12%; Great Britain's 9 million, or 8%; with France's 5 million; Japan's 4 million, and Russia's 4 million, or less than 5% each; and with Sweden, Australia, Belgium, the Netherlands, Italy, and Argentina owning sets of less than 1,500,000 each, while the other countries each owned less than 1% of the total.

Everyone is interested in food. The less food in the stomach, the less patriotism. Starvation produces mob psychology and action. With more than 125 relief agencies soliciting funds from our people, for foreign relief, still just this week the Congress approved an authorization of $1,350,000,000 to cover our opening contribution for the purchase of foodstuffs for hungry people abroad, and to provide other types of relief.

Our farm population has decreased steadily since 1935, where it stood at slightly over 32 mlilion people. But while in 1910 there were on the farms of this country only 1,000 tractors, 50,000 automobiles, and no motor trucks, in 1940 the farmers were enjoying the use of over 1.5 million tractors, over 4 million automobiles, and more than 1 million motor trucks. These individual farm equipment possessions rank far above those owned by any other farm group in the world. And to so great a degree, one stands aghast when calculations are made to cover the necessity for tools in the hands of other nationals required to bring foodstuffs production up to the point of a reasonable standard of living for all people.

This war, as no other conflict of all history, has demonstrated government desperately needs management, industrial power, and efficiency and confidence of the people in government worse than it needs soldiers. Any government rule or law which interferes with production impedes the war effort.

We mobilize *for* war, we *de*mobilize *from* war, but we must *re*mobilize for peace. Only from employment in private enterprise are we to obtain the goods and services emphatically necessary to remove our peoples' fear from want.

Certain groups of people constantly preach we must have the government distribute *more money* to the people to serve as buying power—this group promotes dollars as *buying power*, as *the key*.

This, of course, is a highly destructive fallacy. Money *unspent* brings no material benefit. There must be goods and services to buy. The role of production is to provide these goods and services. A worker's wealth is represented by the goods and services at his command. Without goods and services he is a materially *poor* creature.

The founding fathers recognized all of this, and thus the enunciations set forth in the Declaration of Independence, in our State and Federal Constitutions, and in the decisions of the Supreme and lower courts down through our history. All of which support the private enterprise concept.

Dred Scott, his wife Harriet, and his two daughters Eliza and Lizzie, were slaves. Their masters had the power to determine their *material* status. It might be reasoned that therein their masters had the power to really determine whether or not *they were to be*.

Henry Wriston points out that "if you accept the postulate that there is no absolute except power, Hitler is justified; so also are Mussolini and the Japanese jingoes. Unless there is a moral absolute the totalitarians are right. If Machiavelli was correct in asserting that after conquest succeeds "the means will always be considered honest," our nation was launched on the wrong basis.

But it was not launched on the wrong basis, as history has demonstrated.

Our concept of government, among other things, postulates that individuals are of infinite worth. We assert an individual citizen of this Republic has rights which tower above that of the State.

And these we must not forfeit. Our citizens have enjoyed a maximum of freedom, a minimum of restraint. We further assert the State shall not rule by plan or enforcement.

Those who advocate that we forsake our traditional system of free enterprise and adopt a system of regimentation and bureaucracy, reflect moral decay.

To surrender freedom for social security only means that shortly, but surely, the security would soon pass.

Our moral decay has strengthened the power of the State. Individuals have and practice morals. Individuals attain and preserve freedom. But will you define for me State freedom or State morals? From day to day the State will exercise more and more power until the people again revolt against such.

For our people to reverse their history; to forsake their traditions; to forfeit the right to acquire, own, and manage, and dispose of property as private individuals and citizens would place the State in a position to practically determine the *material status* of our citizens. The citizens would then be *permitted* to own, to produce, and to consume only according to the plans of the State. The latter would measure out *according to its concept*, what the citizen was to have or enjoy. The citizen would through this procedure, be largely influenced to "sit and wait," unless he was *driven* by the State to produce. That would, of course, mean a less production and a lower standard of living for all.

To forsake our traditional system of free enterprise and adopt a system of regimentation and bureaucracy would simply be to surrender *our ideals* and institutions of freedom. This would bring a great people to total State slavery under the direction of the State which would allow its citizens to live only by *permission*.

CGO Tractions Interesting

Cruttenden & Co., 209 South La Salle St., Chicago, Ill., have issued an interesting memorandum discussing the current situation in Chicago traction securities in view of the Chicago City Council offer to purchase the Chicago Surface Lines and the Chicago Rapid Transit properties. Copies of this memorandum may be had upon request from Cruttenden & Co.

Tomorrow's Markets Walter Whyte Savs——

(Continued from page 501)

that will affect the price of the stock. The sum total of these transactions can be translated into an overall picture.

* * *

The only thing it cannot anticipate or guard against is the unexpected, hence the stops.

* * *

I admit that the professional seldom uses actual stops as insurance. Being closer to the action he often decides before whether a certain point will hold and acts accordingly. But even the professional, if he doesn't use actual stops, uses mental ones. The one danger of stops in thin markets lies in the possibility that there may be so much stock for sale at a certain point that if the stock does hit there it may bring about a wide-open break. Obviously everybody can't get out at one price. So if the stop price is broken, stop orders automatically become "sell at market" orders, resulting in larger losses than first envisaged. But with all its drawbacks it is the only long-distance method of protection available to the rank and file. Of course there is another way, too, the selling, or buying, of options against positions. But the latter is too complicated for the average trader to follow.

* * *

You now hold the following stocks: American Steel Foundry at 25. It runs into offerings from 26½ to 28. Hold with stop at 23½. Borg-Warner at 36, hits offerings from 38 to 39. Stop it at 34. National Gypsum at 9½ runs into stock at 10½. Stop at 8½. Lockheed bought at 16 doesn't seem to be getting anywhere. I suggest stepping out. Curtiss - Wright "A" bought at 16¾ just about holds its own. Hold on for the time being with a stop at 15. Western Union bought at 43½ broke its stop at 42. You took a loss. Stocks recommended here last week, Armstrong Cork, 37-38; Kroger Grocery, 31-32, and Pullman, 37-38, are repeated.

* * *

A few weeks ago Bethlehem Steel and Ex-Cell-O were advised here for purchase. Neither got down to buying levels. If you still have any orders for these two I suggest cancelling.

* * *

For an out-and-out speculation, Case Threshing looks attractive. Buy Case at 34 but don't carry it under 33.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Twin City Federal Elects Officers

MINNEAPOLIS, MINN.—At a meeting held Jan. 24, the following were elected officers of Twin City Federal Savings and Loan Association of Minneapolis and St. Paul, it was announced by Roy W. Larsen, President: Charles I. Welch, Harry E. Myers, and Russell M. Johnson as assistant secretaries; Martin L. Jordan, assistant treasurer; and Walter W. Erbes, cashier.

Other officials of the organization and their offices are: A. M. Blaisdell, Chairman of the Board; Roy W. Larsen, President; Henry Rines, Vice-President; and B. N. Bell, Secretary-Treasurer.

Twin City Federal Savings and Loan Association was established in 1923, and today is the largest insured savings and loan institution in the Northwest, with resources of $26,000,000. On Dec. 31, 1943, it paid its 42nd consecutive semi-annual dividend to all members on record.

Illinois Dealers Form New Association

CHICAGO, ILL.—The Illinois Securities Dealers Association, a new organization of investment firms, was formed at a meeting held at the offices of Sills, Minton & Co. and attended by representatives of about forty dealer firms.

Henry T. Berblinger of Sills, Minton & Co. presided at the meeting as he did at a preliminary gathering in December. No officers were chosen but by-laws were read and referred to an organizing committee for revisions.

Members of the organization committee are: Henry D. McFarlane, Alfred O'Gara & Co., Chairman; W. A. Gorman, Link Gorman & Co., Inc.; Walter R. Brailsford, Brailsford & Co.; Owen V. Van Camp, Enyart, Van Camp & Co., Inc.; and W. W. Sims, Sills Minton & Co.

One of the principal aims of the new association is to work for revision of the Illinois securities law, which members state is antiquated and unnecessarily hampers the business of state dealers.

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GENEVA, SWITZERLAND

"Are We To Foresake Our Traditional System Of Free Enterprise And Adopt A System Of Regimentation And Bureaucracy?"

By Hon. ALBERT W. HAWKES

(Continued from first page)

will make it impossible for free enterprise and freedom of the individual to survive.

Strange as it may seem, the people throughout the world, and even the people of this great country of ours, fail to learn the lessons of life from the experience written on the wall of history by the hand of time.

The price of liberty is not only eternal vigilance, but eternal vigilance must be coupled with the understanding and the continual performance of our duty in protecting it against those who would offer panaceas and cure-alls which are not compatible with freedom of the individual. Liberty is freedom, but freedom is not free. Freedom is the highest-priced possession in the world, and the reason people have been willing to pay the price of freedom is that its value is far in excess of the value of any other earthly human possession.

The foundation of the American system of human relationship is the belief of our people in two great principles which were responsible for the Declaration of Independence and the Constitution of the United States. The Declaration of Independence expresses the philosophy of the American system. The Constitution is the machinery through which we have made these principles effective in practical everyday life for approximately 155 years.

The first principle is faith in the dignity, worth and nobility of the individual, separated from the mass of individuals. By the individual's very nature and creation he is the source of government and endowed with individual rights.

The second principle is the equally strong and practical belief that the individual is the dynamo of social progress—the source of creative energy which, allowed to go into action in the form of individual initiative and stimulated by the desire to better his own condition and that of others dependent upon him, he becomes the mainspring in our free enterprise system which offers fair reward for accomplishment.

All the proposals of socialism have met their fate and will continue to do so wherever the individual is permitted to exercise these rights and is willing to pay the price of protecting that government which represents the things the individual must have to successfully perform.

Perform through the use of the God-given powers and qualities recognized by our forefathers when they wrote the Declaration of Independence and established the Constitution of the United States. These documents came out of the experiences of centuries of effort born in sweat, blood, toil and tragedy—efforts of the human family to throw off the yoke of restraint and subjugation.

The test of the value of this American creed is found in what has been accomplished by the American people who guarded, protected and lived up to it for a century and a half. "By their fruits ye shall know them, for a good tree bringeth forth good fruit and a bad tree, bad fruit." No system ever established in the world has given to its people so much of the necessities of life, to say nothing of the luxuries of life, and there is no reason to believe, from any example before the world, that our great system has outlived its usefulness.

American liberty is not freedom from restraint. That is anarchy. Liberty under law means the greatest freedom for each individual compatible with like freedom for others. The exercising of creative energy, the variable results obtained by different individual capacities and talents rests upon freedom to exercise such qualities and the desire of human beings to excel and improve themselves.

The difference between a free people and a people dominated by a ruler or an administrator of government, is that free people impose restraints upon themselves through their representatives and they thus control the limits within which they may exercise their freedoms. The controlled people have restraint imposed upon them from someone without or someone who has seized the power and imposes unfair and unnecessary restraints against the will of the people. The test of restraint under our constitutional government is determined by three considerations:

First: Is it necessary? Under our system freedom was presumed to be the rule—restraint the exception—therefore, the first inquiry of the people should be—is the proposed restraint necessary in the public interest?

Second: Is the restraint established in such a way as to accomplish the objective desired by the people?

Third: Is the restraint forbidden by our Constitution? If so, is it not a fact that the future welfare of the people dictates that they should change the Constitution before adopting the restraint, and in their own protection make the change by the provision so wisely established for amendment in the Constitution itself.

Let us understand that in our system the people, in establishing our government, imposed certain restraints upon it for the purpose of protecting their own fundamental liberties. When we say a thing is unconstitutional, what we mean is that it is against liberty as established in our form of government, which was and must be the tool and servant of the people in the fair interest of all if we are to expect the people to give it the support and protection necessary to preserve it.

The voice of the people is still more powerful than any document or system ever devised. That, in itself, should cause those who speak to weigh well their words, lest they unknowingly destroy the very form of government required to preserve freedom of the individual.

I warn those who think lightly with reference to circumvention of the constitutional prohibitions to make it their business to understand the importance of these prohibitions—their business to understand that they come from the crucible of human experience and tragedy. The very difficulty in bringing about proper and lawful constitutional changes is probably the greatest protection of human liberty in that great document.

Under our great constitutional system the restraints upon action by government are more numerous than the grants of power to that government. The reason for this is the desire to protect individual liberty and initiative. Individual liberty and initiative, restrained only insofar as is necessary to give equal rights and opportunity to others is the foundation of our free enterprise system.

The New Deal, which, in name, is being abandoned by some and continued by others of the so-called "New Dealers," has knowingly or unknowingly fooled the people. Many people have been made to think that the accomplishments of the human race can be regulated and directed by government, which will relieve the people of their responsibilities and provide all of their needs without demanding a full measure of work and the use of genius in producing those things which the people need. Let us remember—government never had any money and the only way it has of doing things for the people is to use the power to tax, and there is nothing to tax unless it is created through individual effort and genius.

Let us pay government a fair price for doing its job as the servant of the people, rather than have government possessed of power and over-ridden with bureaucracies and administrative bodies which consume the wealth of the Nation and return to the people only a small part of what they have created and what rightfully belongs to them under our American free enterprise system. Let us not break the free enterprise mainspring and crush the spirit of the people in this Nation who have, under our constitutional guarantees, produced the foundation upon which practically all of our individual liberties rest.

Our hope for the future lies in the fact that government is presumed to be permanent, whereas the administration of government is only temporary. Whenever the temporary does things that are inimical to or destructive of the permanent thing—government—then it is the duty of each of our American citizens to speak and act on time in such a way as to choose an administration whose purpose is to preserve the permanent thing—government.

Again referring to free enterprise, it is what this nation established and maintained, under its creed, for individual and social progress. It is personal liberty in action. It is the individual and cooperative effort of free men to better their personal and social position through the release and use of all their varying capacities and energies. Under it they are stimulated to greater opportunity by fair reward as an incentive to accomplishment. It cannot survive unless that reward is fairly and honestly protected in the hands of those who earned it, nor can this free enterprise system survive if the restraints put upon it are unreasonable and unnecessary and come as the result of bureaucratic decree or administrative directives, having the effect of law, which supplants or unjustly expands the laws established by the representatives of the people themselves.

Constitutional representative government rests upon rules which the people themselves may alter through the ballot but which they have not authorized others to alter for them. The great threat to a representative system like ours rises chiefly from two dangers. First, a popular ruler who loves power may gain it in excess of his authority because of his very popularity. Thomas Jefferson said: "Speak not to me of trusting officials—let them be bound by the chains of the Constitution. We have no other effective protection."

The second great danger comes from the enormous amount of business being transacted by the government under existing conditions. There is a temptation to create unnecessary agencies which administer important activities dealng with the rights of property of the citizen and those agencies have no electoral responsibility. Those whom we elect we can condemn and consign to private life if they fail in service, but we cannot protect ourselves against anonymous officials who cannot be identified—who are appointed—not elected—but whose rules and regulations in a vast numbber of matters have all the effect of law and whose actions are subject only to a minimum of judicial review. The result of this has created the monstrous bureaucracy which exercises ever-increasing authority over the affairs of the individual, and he is no longer a free agent to conduct his own business and private affairs.

We all know there is an appropriate place for an administrative law, and that certain powers and administrative agencies must exist, but they have grown by such leaps and bounds that even one of the wisest men in Washington issued a challenge the other day that there was not a man in Washington who was familiar with the names of half the bureaus or knew what their authority or objective was.

The result in this country is that we, to a greater extent than ever before in our history, are threatened with a government of personal inclination and attitude rather than a government under rule of law. This is a condition crying for reform if our people wish to get back to the fair and normal pursuit of their own business and free themselves from personal rule. Americans understand that our way of life is one where the individual must be free to make failures no less than success. The individual takes risks in accordance with his judgment. Ours is a business system of not only profit, but profit and loss. We must be free to fail as well as to succeed, for a system of liberty is a system of risk. Americans have always wanted an economy in which men formed their own judgments, not one in which a board, a commission, or a system does it for him. The very essence of freedom is the right to learn individually by trial and error. Whenever any form of government substitutes its judgment for that of its citizens and has the power to determine what is good for them—whether they think so or not, and regardless of the fact they have not been represented in forming the conclusion—then you are approaching the same kind of a government which has destroyed the freedom of the individual throughout the world and throughout history.

Americans do not wish a ruler—they wish public servants. It matters not to them whether the ruler be benevolent or not, because when any individual accumulates the power to act outside the scope of authority established by the people themselves through their electoral power, then freedom dies and the individual loses his right to determine the details of his own life and the acceptance of the risks that go with liberty.

American liberty and opportunity will last just so long as its people believe in the faith of its founders and act to protect and preserve that faith.

Popular government is in danger today, not only here but throughout the world, and for us that danger rises not so much from our enemies in this war as from the ideology that made those enemies prepare to attack us. Our duty is to see that the inalienable rights of the American people to govern themselves are held sacred. It is ironical that while we send millions of our finest men to battle—while we spend billions of dollars to fight a system that would take from us our Bill of Rights and all our freedoms—there are those who would plunge us headlong into an American version of a system where the people are subordinate to the State—where free enterprise is replaced by government-operated or excessively-controlled private activities and where the fundamentals of the freedoms of the American people are strangled by bureaucracy.

What I have said means that it is up to the people as to whether we forsake our traditional system of free enterprise for a system of regimentation and bureaucracy. The two things cannot survive together. I, for one, choose free enterprise on a sound basis that takes into consideration justice and fair consideration for the rights and accomplishments of all engaged in its processes. Fair consideration from capital and management to labor and fair consideration from labor to capital and management. A free enterprise in which no group grows to be as strong as or stronger than the government and thus imposes its will upon the people. A free enterprise under which all have respect for the spirit as well as the letter of the law. A free enterprise system which recognizes its obligation to the people and understands that its tenure of life is at the will of the people—who, in the last analysis, are and always will be all-powerful—notwithstanding temporary usurpation of their rights by those who would seek power rather than render service.

It is my opinion that neither capital nor labor wishes to destroy free enterprise. Each of them have the same vital interest in its preservation. There is evidence during the past year that large numbers are awakening to the necessity of protecting and preserving it, and doing those things which are necessary to make its preservation possible. Enlightened self-interest seems to be raising its head from the ground. I urge you to accept your full responsibilities, determined to do everything necessary to win complete victory in this war and, therefore, determined to preserve the home front and the free enterprise system so that we, and our boys when they return, will have the privilege of looking forward to opportunity and advancement rather than to standardized government employment.

Discount Corp. Of N. Y. Elects Mills, Repp

(Continued from first page)

shortly after the Armistice was signed in 1918. Throughout its existence, it has been one of the chief factors in the New York money market and a leading dealer in U. S. Government obligations. At present its activities are largely concerned with financing the war effort.

Herbert N. Repp

When the Federal Reserve Act became law in 1913, it contained provisions aimed at creating a money market comparable to the money market of London. After the last war a group of New York banks organized the Discount Corporation, as a step in this direction, to deal in bankers' acceptances, an instrument which the Federal Reserve Act brought into existence. The corporation's capital funds consisted originally of $5,000,000 capital and $1,000,000 surplus. The corporation in the early 1920's began to deal actively in Government securities.

Its original directors were:—

Francis L. Hine, President First National Bank
Edwin S. Marston, President Farmers Loan & Trust Company
Gates W. McGarrah, President Mechanics & Metals National Bank
John McHugh, President
J. P. Morgan, J. P. Morgan & Company
Seward Prosser, President Bankers Trust Company
Charles H. Sabin, President Guaranty Trust Company

Greatest Fight Ahead—That Against Possible Totalitarian State In U. S.—Robertson

(Continued from page 501)

pers of which are in my possession. I stated then that the United States had 6% of the world's population and 36% of the world's income. By dividing population into income, six units of average per capita income measured the American standard of living. On the other hand, the average per capita income of all the peoples of the world, outside of the United States, gave each individual ⅔ of a unit of income. If the operation of post-war planning syphons away American income to such a degree as to increase the average standard for the rest of the world at the expense of substantially reducing our average of such units then I say we will bring ruin upon themselves; we will then be incapacitated to maintain any lasting constructive influence on the rest of the world.

"We must not utilize devices put into effect for winning the war, such as rationing, the draft, Government international management of money and credit, and relief and rehabilitation, which will only end in the insolvency of the American economy. American workingmen are watching their pay checks and today they find a substantial and growing difference between their rate of pay and what is taken home. We wonder if such Government procedure will eventually give a rate of pay of $60 a week to a man in the cab of a locomotive and permit him to take home only $10 a week! It may for a time serve to increase 50% the average per capita standard of living income of the world outside the United States from ⅔ of a unit to 1 unit by such distribution of the American income, but in the final analysis it could bring about world economic and social collapse.

"I have observed recently the plan of United Nations Relief and Rehabilitation, which as yet has not been approved by Congress, wherein many billions of American dollars are to be used to saturate the world. Now, don't misunderstand me, I think it is to the eventual benefit of the United States that we give aid and comfort to the distressed nations of the world following the war. However, the approach must be to promote and preserve the individual responsibilty of the peoples of the world as we would demand that such responsibility be preserved for ourselves.

"Without question, we should give these peoples every assistance that is wise, honest, and practicable. They should have the right to care for themselves in their own ways. This they can do infinitely better than we can provide for them. There are plenty of substandard conditions in American living which need correction or improvement. It seems to me that this is our first responsibility. However, should we yield to a world policy which would result in making our standards generally sub-standard, there is only one ultimate result,—we would be incapable of serving the world as well as incapable of serving our own people.

"In conclusion, I am for a plan which is based on an ever-growing economic security, the greatest chance to secure employment that is productive and profitable; equal economic justice for all, an increasing standard of living and the highest obtainable freedom for the individual, consistent with our very great economic and social potentialities, and under private ownership and operation of our industries.

James A. Stillman, Chairman National City Bank
Eugene V. R. Thayer, President Chase National Bank
James N. Wallace, President Central Union Trust Company

In 1934, Mr. Mills, who was one of the first employees of the corporation, became President, and has now been elevated to Chairman.

By 1940, the capital funds of the corporation had increased through earnings to about $12,000,000. Because of disturbed world conditions, bankers' acceptances had practically disappeared, and it was accordingly decided to return $6,000,000 from earnings to the stockholders, a step which was taken in that year. Capital funds now stand at $2,000,000 capital, $2,000,000 surplus, and about $2,000,000 in undivided profits and reserves. The Directors today are:

Winthrop W. Aldrich, Chairman Chase National Bank
John E. Bierwirth, President New York Trust Company
S. Sloan Colt, President Bankers Trust Company
William S. Gray, Jr., President Central Hanover Bank & Trust Company
Percy H. Johnston, Chairman Chemical Bank & Trust Company
Dudley H. Mills, Chairman
George Whitney, President J. P. Morgan & Company Incoporated
William C, Potter, Chairman of the Executive Committee Guaranty Trust Company
Gordon S. Rentschler, Chairman National City Bank
Herbert N. Repp, President
Lynde Selden, Vice-Chairman The American Express Company
Dunham B. Sherer, Chairman Corn Exchange Bank & Trust Company

The corporation has made known that it will reenter the bankers' bill market after the war, when normal foreign trade is resumed.

Calendar Of New Security Flotations

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

THURSDAY, FEB. 3

CENTRAL OHIO LIGHT & POWER CO.

Central Ohio Light & Power Co. has filed a registration statement for $4,300,000 first mortgage bonds, series A, 3½%, dated Feb. 1, 1944, due Feb. 1, 1974.

Address—120 North Main Street, Findlay, O.

Business—Public utility operating exclusively in Ohio.

Underwriting—To be supplied by post-effective amendment.

Offering—Price to the public will be supplied by post-effective amendment. Company proposes to ask for bids under the competitive bidding requirements of the Commission's Rule U-50.

Proceeds—Proceeds from sale of the bonds, together with other funds of the company, will be applied to the redemption of $3,981,000 principal amount of first mortgage bonds, 4%, series C, due Aug. 1, 1964, at 106¾%, which will require $4,249,717, and of $394,000 face amount of first mortgage bonds, 3½%, series D, due March 1, 1966, at 103¼%, which will require $406,805, the two redemptions aggregating $4,656,522 exclusive of accrued interest and expenses.

Registration Statement No. 2-5289. Form S-1. (1-15-44.)

WEDNESDAY, FEB. 9

NORTHERN STATES POWER CO. (MINNESOTA)

Northern States Power Co. (Minnesota) has filed a registration statement for $5,000,000 first mortgage bonds, series due Feb. 1, 1974.

Address—15 South Fifth Street, Minneapolis, Minn.

Business—Operating public utility company and is also a registered public utility holding company.

Underwriting—To be filed by post-effective amendment.

Offering—Price to the public to be filed by amendment. Company proposes to offer the bonds for sale pursuant to the competitive bidding requirements of Commission's Rule U-50. Company also proposes to issue and sell to banks $4,000,000 face amount of its serial notes.

Proceeds—Will be used to pay the $4,999,000 face amount of St. Paul Gas Light Co. general mortgage gold bonds, 5% assumed by Northern States which mature on March 1, 1944, and the $4,000,000 face amount of promissory notes of the company dated June 14, 1943, which mature on Feb. 28, 1944.

Registration Statement No. 2-5290. Form A-2. (1-21-44.)

THE SOUTH COAST CORPORATION

The South Coast Corporation has filed a registration statement for $1,500,000 first mortgage 5% bonds due Dec. 31, 1955.

Address—Carondelet Building, New Orleans, La.

Business—Consists primarily of the cultivation of sugar cane and the manufacture and sale of products and by-products resulting from the processing of sugar cane, including raw and refined sugars, syrups, black strap molasses and bagasse.

Underwriting—To be named by amendment.

Offering—To be named by amendment.

Proceeds—Will be applied to the redemption, at the principal amount thereof plus annual interest, of the $998,405 in principal amount of general mortgage 15-year 6% income bonds, due Sept. 1, 1950, and balance added to working capital and may be applied to the reduction of current bank loans and the purchase of supplies and raw materials.

Registration Statement No. 2-5291. Form S-1. (1-21-43.)

THURSDAY, FEB. 10

DANIEL P. ABERCROMBIE ET AL

Daniel P. Abercrombie, Philip C. Gifford and Charles W. Greenough, voting trustees, have filed a registration statement for voting trust certificates for 40,000 shares of common stock, par $5 per share, of Wolverine Power Corp.

Address—Of corporation, Bay City, Mich.

Business—Generation of electricity.

Underwriting—None.

Offering—Immediately following the effective date of the registration statement.

Purpose—To form a voting trust for five years from Jan. 20, 1944, with the right in a majority of the trustees and holders of voting trust certificates representing a majority of the securities to extend the termination to a date not later than March 1, 1959, the maturity date of the outstanding first mortgage bonds of the corporation.

Registration Statement No. 2-5292. Form F-1. (1-22-44.)

SATURDAY, FEB. 12

FLORIDA POWER CORP.

Florida Power Corp. has registered $16,500,000 first mortgage bonds series due Jan. 1, 1974. Interest rate will be supplied by amendment.

Address—101 Fifth Street, South, St. Petersburg, Fla.

Business—Public utility operating wholly within the State of Florida, except for transmission line connecting with the transmission facilities of Georgia Power Co.

Underwriting—To be supplied by post-effective amendment.

Offering—Price to the public to be supplied by amendment. Company will invite bids for the purchase of bonds from it under the competitive bidding requirements of the Commission's Rule U-50. Successful bidder will name the interest rate.

Proceeds—Company also proposes to sell privately to John Hancock Mutual Life Insurance Co. of Boston $4,000,000 face amount of 3¼% serial debentures. Proceeds from sale of bonds and serial debentures, together with other funds of the company to the extent required, will be applied as follows: To the redemption of the following securities: $11,000,000 Florida Power Corp. first mortgage 4s, Series C, due Dec. 1, 1966, at 104%; $5,148,400 Florida Public Service Co. first mortgage 4s, Series C, due 1955, at 102.90; $1,622,000 Florida Power 3½% serial debentures and $2,300,000 Florida Public Service 4½% serial debentures and for other purposes $730,451. On Jan. 14, 1944, Florida Public Service Co. and Sanford Gas Co., affiliated companies, and Sante Fe Land Co., a subsidiary, were merged into Florida Power Corp. as the continuing corporation. Company is controlled by General Gas & Electric Corp., which is part of the Associated Gas & Electric Corp. system.

Registration Statement No. 2-5293. Form A-2 (1-24-44).

MONDAY, FEB. 14

ELFUN TRUSTS

Elfun Trusts registered 20,000 units of trustees certificates representing a proposed maximum aggregate offering price to the public of $2,100,000.

Address—570 Lexington Avenue, New York City.

Business—Investment company.

Underwriting—None named.

Offering — Participation in the Elfun Trusts will, in general, be limited to the list of executives, officials, leading employes and former employes of the General Electric Co. and its subsidiary or controlled companies and to the trustees of certain profit-sharing trusts heretofore and hereafter created by the General Electric Co. The General Electric Co. is not a party to the trust agreement, and has no responsibility whatever for the administration of the trust funds. Offering price is determined in the agreement. In calculating the price, no "service" or "loading" charge is included.

Proceeds—For investment.

Registration Statement No. 2-5294. Form S-5. (1-26-44).

WEDNESDAY, FEB. 16

HOOKER ELECTROCHEMICAL COMPANY

Hooker Electrochemical Company has registered 50,000 shares of $4.25 cumulative preferred stock.

Address—Niagara Falls, N. Y.

Business — Principal operations involve the decomposition of salt solution in electrolytic cells resulting in the production of caustic soda, chlorine and hydrogen.

Underwriting—Smith, Barney & Co. head the underwriting group. Others will be named by amendment.

Offering—To be supplied by amendment.

Proceeds—Of the net proceeds, $2,349,705 will be applied to the redemption of the company's first mortgage bonds, due 1952, outstanding in the principal amount of $2,298,000, at 102¼%, and $1,048,215 to the redemption on March 31, 1944 of the outstanding 9,983 shares of 6% cumulative preferred stock at $105 per share. The balance of the net proceeds will be added to working capital.

Registration Statement No. 2-5295. Form S-1. (1-28-44).

SATURDAY, FEB. 19

ABBOTT LABORATORIES

Abbott Laboratories has filed a registration statement for 94,439 common shares, without par value.

Address—Fourteenth Street and Sheridan Road, North Chicago, Ill.

Business—Engaged in the manufacture, distribution and sale of pharamaceutical, medicinal, chemical, biological and vitamin products.

Underwriting—The names of the underwriters and the percentages of the unsubscribed common shares to be purchased by each of them, are as follows: A. G. Becker & Co., Inc., 50%; F. S. Moseley & Co., and Shields & Co., 25% each, all firms of Chicago.

Offering—The 94,439 shares are being offered by the company to the holders of its common shares, for subscription at $45 a share, at the rate of one share for each eight common shares held of record at the close of business on Feb. 17, 1944. Subscription warrants will be exerciseable beginning Feb. 18, 1944, will be transferable and will expire at 3 p.m. on March 1, 1944.

Proceeds—Will be available for general corporate purposes pending specific allocation of such funds. Some of the funds may be used to carry additional receivables and inventories, to pay current liabilities, and to increase bank balances. Some of the funds may be used at some future time to provide for expansion of the company's manufacturing facilities. One of the purposes of this financing is to provide the company with funds with which to meet post-war opportunities which may present themselves for the expansion of the company's business.

Registration Statement No. 2-5296. Form S-1. (1-31-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN REALTY CO.

American Realty Co. has filed a registration statement relating to the offering for the extension of first mortgage serial notes of Housam Realty Co., secured by a first mortgage deed of trust on the Ranelagh Apartments, 5707 McPherson Avenue, St. Louis, Mo., in the aggregate principal amount of $240,750.

Address—5707 McPherson Avenue, St. Louis, Mo.

Business—Apartment building. American Realty Co. was incorporated July 21, 1943, to acquire and own the equity in the Ranelagh Apartments subject to the first mortgage deed of trust, securing the outstanding and unpaid mortgage serial notes of the par value of $267,000 which, by the plan of reorganization, are to be reduced by 10% to $240,750 of par value, and on outstanding second deed of trust on which there is an unpaid balance of $40,500.

Underwriting—None.

Offering—Purpose of present offering to the noteholders is to reduce the principal amount of all the notes outstanding by 10%, leaving, after such reduction of principal, an aggregate first mortgage indebtedness of $240,750.

Registration Statement No. 2-5282. Form S-1. (12-30-43.)

Amendment filed Jan. 14, 1944, to defer effective date.

BEN-HUR PRODUCTS, INC.

Ben-Hur Products, Inc., has filed a registration statement for $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951, and 11,400 prior preferred shares, for the purposes of such conversion.

Address—800-812 Traction Avenue, Los Angeles, Cal.

Business—Engaged in business of processing and marketing at wholesale of coffee, tea, extracts, prepared mustard and spices.

Underwriting—Pacific Company of California, and Wyeth & Co., both of Los Angeles, are named underwriters, each having agreed to purchase $150,000 of the debentures at 92½%, or a total amount of $277,500.

Offering—Price to public, 100.

Proceeds—To retire bank loans and working capital.

Registration Statement No. 2-5273. Form S-1. (12-20-43.) Statement originally filed in San Francisco.

Amendment filed Jan. 28, 1944, to defer effective date.

BONWIT TELLER, INC.

Bonwit Teller, Inc., has filed a registration statement for 35,565 shares of 5½% cumulative convertible preferred stock, $50 par value, and 108,913 shares of common stock, par $1 per share. The latter includes 88,913 shares of common reserved for issuance upon the conversion of the 5½% cumulative convertible preferred stock registered, at the present rate of conversion, which may vary from time to time in the event of certain contingencies. The shares are issued and outstanding and the offering does not represent new financing by the company.

Address—721 Fifth Avenue, New York City.

Business—Owns and operates one of the outstanding large specialty stores in the United States.

Underwriting—Allen & Co., New York City, is named principal underwriter for both the preferred and common stock.

Offering—The offering price to the public of both the preferred and common stock will be supplied by amendment. The prospectus offers the 35,565 shares of 5½% preferred and 20,000 shares of common stock. The shares are presently issued and outstanding and are being purchased by the underwriters from Atlas Corporation and its subsidiary Rotary Electric Steel Co. Atlas Corporation, directly and indirectly, has been the controlling stockholder of the company since its organization.

Proceeds—Proceeds will go to the selling stockholders.

Registration Statement No. 2-5245. Form A-2. (10-29-43).

Amendment to defer effective date filed Jan, 17, 1944.

EASTERN COOPERATIVE WHOLESALE, INC.

Eastern Cooperative Wholesale, Inc., has filed a registration statement for $100,000 4% registered debenture bonds authorized issue of 1943.

Address—44 West 143rd Street, New York City.

Business—Wholesale dealer in groceries and allied products, including, among other related activities, warehousing and packaging.

Underwriting—None.

Offering—The price of the bonds is $25 for each $25 principal amount thereof. The securities are being sold by the cooperative directly to its stockholders and friends interested in the cooperative movement without the interposition of any underwriter, dealer, broker or salesman. No commission is being paid to anyone in conjunction with such sale.

Proceeds—Proceeds are to be used to finance the purchase of the new warehouse and office building purchased in July, 1943, in New York, the purchase price of which was $50,000 cash on taking title and $12,000 in the form of a purchase money mortgage payable in installments over a period of seven years.

Registration Statement No. 2-5283. Form S-1. (12-31-43.)

Amendment filed Jan. 14, 1944, to defer effective date.

FOOD FAIR STORES, INC.

Food Fair Stores, Inc., filed a registration statement for $3,500,000 15-year 3½% sinking fund debentures, due Feb. 1, 1959.

Address—2223 East Allegheny Avenue, Philadelphia, Pa.

Business—Operates supermarkets engaged in the retail sale of groceries, meats, meat products, vegetables, etc.

Underwriting—Eastman, Dillon & Co., New York, head the underwriting group, with names of others to be supplied by amendment.

Offering—Price to the public to be supplied by amendment.

Proceeds — To the payment of outstanding bank notes of $3,150,000, with prepayment premium and accrued interest, and to increase working capital.

Registration Statement No. 2-5280. Form S-1. (12-24-43.)

Amendment filed Jan. 28, 1944, to defer effective date.

KRUPP-FLAHERTY OIL CORP.

Krupp-Flaherty Oil Corporation has filed a registration statement for 20,000 shares of common stock.

Address—Caples Building, El Paso, Texas.

Business—Corporation was organized on March 11, 1940, under the laws of the State of Delaware for the purpose of, and has been engaged in the drilling of wells for oil and gas and the operation thereof.

Underwriting—None named.

Offering—Price $35 per share.

Proceeds—All proceeds go to issuer, subject to cost of sale of issue. Proceeds will be used for drilling expenses and payment of all or part of the obligations of the company incurred in development work.

Registration Statement No. 2-5256. Form S-2. (11-18-43).

Registration statement withdrawn Dec. 29, 1943.

(This list is incomplete this week)

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Three New Partners For Kidder, Peabody

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange and other exchanges, announces that three new partners have been admitted to the firm. They are Walter V. Moffitt and Harry C. Clifford, both of the New York office, and Alfred Rauch of Philadelphia.

Harry C. Clifford

Walter V. Moffitt

Mr. Mofitt, who has been with the firm since 1935, has recently been in charge of the buying and statistical departments. Before joining the firm, he had been, since 1928, with the Guaranty Trust Co. and its affiliate, the Guaranty Company. Mr. Moffitt is a director and member of the executive committee of Penn Worsted Co., Philadelphia, and a director in the Lincoln Mortgage Co. and the Commerce Management Co., both of Newark, N. J. He entered business after completing graduate work in economics and finance at both Duke University and Columbia University.

Mr. Clifford has been connected with the firm since 1936. Two years ago he was made sales and syndicate manager to succeed Amyas Ames, who has taken a leave of absence to serve the War Shipping Administration.

Mr. Rauch has been associated with the Philadelphia office of Kidder, Peabody & Co. since the establishment of the office in 1934. He has been actively engaged in the security business since his graduation from Cornell University in 1924. Before joining Kidder, Peabody he was identified for a number of years with the Philadelphia office of Harris, Forbes & Co. and subsequently became Vice-President of the Philadelphia National Co., investment affiliate of the Philadelphia National Bank.

Admission of these new partners was previously reported in the "Financial Chronicle" of January 20th.

China-American Council of Commerce & Industry Is Formed for Post-War Development of China

It was announced on Jan. 31, in New York City that the China-American Council of Commerce and Industry had been formed to interest American business in the post-war development of China. The following concerning the new council has been taken from the New York "Herald Tribune" of Feb. 1.

Heading the Council are Thomas J. Watson, President of International Business Machines Corp., chairman, and Richard C. Patterson Jr., former Assistant Secretary of Commerce, president.

Pointing out that this is the first major co-operative effort by American business to build our trade in China on the basis of organization, study and planning, the announcement pointed out that the future economic development of China is one of the most vital phases of world reconstruction.

The projected services of the council, some of which are already being developed, include analyses of China's natural resources and commercial possibilities, co-operation with the governments of the United States and China and also with Chinese private enterprise in co-ordinating the two nations' economic programs.

It is also planned to make appraisals of China's commercial law and economic organization; the protection of the equitable interests of American business and the rendering of various commercial services here and in China, such as reports on conditions affecting trade with China and information about commercial opportunities.

Ten months of preliminary study of American-Chinese economic relations preceded the launching of the new organization, which now seeks the participation of large and small American concerns which have a potential interest in Chinese trade.

Offices are being established at Seattle and San Francisco and others will be opened shortly at Washington and Chungking. Julean Arnold, former United States commercial attache to China, is director of the council's activities on the west coast.

Other officers besides Messrs. Watson and Patterson are: Charles R. Hook, President of American Rolling Mills Co., and Walter S. Mack Jr., President of Pepsi-Cola Co., Vice-Presidents; James G. Blaine, President of Marine Midland Trust Co., Treasurer; Wayne Johnson, attorney, Chairman of the Executive Committee, and Mildred B. Hughes, Executive Secretary.

Urge Conscription For Military Service For Women

The women's division of the American Labor Party at a meeting in New York City, on Jan. 29, adopted a resolution proposing conscription for military service of women between the ages of 20 and 31 who are without dependents, said the New York "Herald Tribune" of Jan. 30, which added:

"The resolution noted that voluntary recruiting of women for the armed forces has not succeeded and stated that women performing non-combatant duties 'can speed victory by releasing combat-trained men and conserving skilled workers for war production and at the same time prevent family dislocation by reducing the need for inducting men with dependents.' It was presented by Mrs. Pearl L. Willen, Chairman of the women's division."

Post-War Governmental Controls Needed To Restore Free Enterprises, Richberg Declares

Outlines Free Competition Program

Donald R. Richberg, Washington attorney and co-author of the railway labor act and the National Industrial Recovery Act, speaking at a forum, in New York City, sponsored by its Sales Executive Club of New York and the Committee for Economic Development, said:

If free enterprise is to be restored in the post-war world and the freedom of business management protected, "there must be such government control of labor relations as will insure freedom of labor and management, and also such ernment control of labor relations governmental control of production and price policies as will insure the freedom of competition and the preservation of free markets for the protection of consumers."

The New York "Herald-Tribune" of Feb. 2 from which these remarks of Mr. Richberg are quoted also indicated his further remarks as follows:

"This does not mean that the government should favor one type of labor organization or support labor control of business management. This does not mean that the government should fix the amount and quality and prices of industrial products.

"It simply means that the government should make sure that the economic powers of organized money or organized labor are exercised to promote, and not to impede a peaceful cooperation among, and a free competition between, workers, managers, and capitalists to advance their private interests by serving the public interests."

Explaining his philosophy, Mr. Richberg gave a short outline of what he termed a "labor-peace program" and a "free competition program." The labor-peace program, he explained, is founded on the establishment of two legal obligations—first, the duty of every citizen to make his services available whenever and wherever most needed, something, however, which should not be continued as a legal duty in times of peace; second, the duty of every citizen to utilize all available means for peaceful and prompt settlement of economic disputes, which duty should be continued in times of peace.

"We should require by law," he said, "the peaceful maintenance and revision of labor contracts between chosen representatives of labor and management, aided by government mediators, with all parties obligated to submit unsettled disputes to impartial arbitration under government supervision."

"The worker, should be protected by law, Mr. Richberg said, in his freedom to choose his own livelihood and own employer, free from coercion by either organized management or organized labor.

"We should preserve and protect the right of collective bargaining and for justifiable causes the right to strike, subject to such governmental controls as will prevent abuses of power by labor organizations," he said.

Unless free competition is preserved, Mr. Richberg warned, it is inevitable that there will be more and more political regulation that will make free enterprise impractical. Outlining his free competition program, Mr. Richberg asserted that we need constructive regulation of competitive practices in order to prevent (1) fraud and coercion, (2) monopoly controls of prices, production or wages, and (3) unfair competition in labor conditions.

Also, Mr. Richberg said, we need constructive regulation of competitive practices in order to permit (1) socially desirable cooperation between competitors, and (2) long-range planning by industrial managers with the aid of government.

J. Arthur Warner Is Nashua Mfg. Director

J. Arthur Warner, senior partner of the investment firm of J. Arthur Warner & Co., has been elected a director and member of the executive committe of the Nashua Manufacturing Co., of Nashua, N. H., nationally known textile manufacturers.

J. Arthur Warner

Established in 1823, the company is one of the oldest industrial enterprises in the United States. It operates dova, Ala.; mills in Cor-Lewiston, Me. and Nashua, N. H., and does an annual volume of business in excess of $36,000,000.

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The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 159 Number 4252 New York, N. Y., Thursday, February 3, 1944 Price 60 Cents a Copy

The Financial Situation

Some Misconceptions Exist Regarding Post-War Employment, National Income And Savings

Current thinking about post-war matters is curiously bedeviled by a number of terms which are obviously misunderstood or not understood by many of those who make use of them. Most post-war plans take the form of neat statistical blueprints imagined to possess significance far beyond the fact. Continuance of this procedure in this atmosphere of economic witchcraft can scarcely fail to do inestimable harm sooner or later.

Possibly the most popular procedure is to start with the premise that a certain number of men and women must be provided with employment at once, or as nearly so as is humanly possible—or else we shall (to spite ourselves, perhaps?) promptly become communists, fascists, or something else equally undesirable. The number for whom employment must be "provided" (those seeking employment, which, of course, are us all, appear to bear no responsibility in the matter) is usually larger than were ever employed in this country in peace-time—often approximating the total of most of the men now in the armed forces plus those other men and women at work in agriculture, trade, industry, service and finance. The term used to describe the consummation of such plans was once "full employment"; now "high level employment" is apparently preferred. In most plans it appears to be the ultimate goal of all planning—the economic summum bonum.

"National Income"

Having made this postulate, the next step is usually to estimate the annual "national income" necessary to insure such employment. This usually comes to some figure far

(Continued on page 533)

From Washington Ahead Of The News

By CARLISLE BARGERON

Henry Morgenthau is being roundly blamed now for something with which he had nothing to do—the publication of the Japanese atrocity stories. He is not averse to using them to whoop up his Fourth War Bond drive, but it is not a fact, as many are saying, that their publication at this time was Henry's idea, that of any of his henchmen, or, in fact, had any relation to the drive. For some time the McCormick-Patterson papers had had a personal experience story by Lieut.-Col. Dyess, other syndicates had similar stories, and Palmer Hoyt, publisher of the Portland "Oregonian," just retired as Vice-Deputy of OWI, is telling of the suppression of the stories in an article soon to appear in a nationally circulated magazine.

The point is that the Administration would just as soon the stories had not been published yet. They have made a profound impression in Congress and the indications are they have had a profound effect over the country. And the effect in Congress has been once again to raise doubts about Mr. Roosevelt's strategy of the war. The question arises as to just when we intend to do something about it. These are not the first Japanese atrocity stories. Some time ago we were told of the execution of members of the Doolittle expedition; we are frequently hearing of brutalities of the Japs against our troops. We have been at war with Japan for more than two years. When do we intend to do something about it?

This is not your correspondent's thinking necessarily. It is the thinking that is going on in Congress. It is significant that coincidentally with these latter atrocity stories, the headlines tell us about the current invasion of the Marshall Islands, marking what apparently is a prelude to an all-out attack against Japan. However, it is a fact that prior to this move, our operations in that theater of the war have been mostly of a paper variety. Douglas MacArthur's name is frequently in the headlines and no one is questioning his soldier ability. But the fact is that around the Pentagon building the propaganda officers are constantly laughing that they wish Eisenhower and Mark Clark had the gift of issuing communiques that MacArthur has. The point is that his communiques are notoriously exaggerated, misleadingly dramatic. Furthermore, a naval captain out on the Pacific has written a parody which is being widely circulated in military circles entitled "Doug's Communiques." It's a scream and incidentally reflects considerable Navy jealousy towards MacArthur.

The main thing, though, is that for two years we have been simply marking time in the Pacific, and the extent to which we have

(Continued on page 535)

The News Behind The News

By PAUL MALLON

So much political nonsense has been heaped upon the soldier vote question, it is practically impossible to find the solid facts.

Paul Mallon

The Aministration seems to have won a publicity conflict on the issue. It has managed to build up the popular notion that its Federal measure is a soldier vote bill, while the opposition State-voting measure would prevent soldiers from voting.

The radio and news headlines have helped particularly to build up this fallacy originally conceived by the radical groups. The truth is that no man in public life in any quarter would dare oppose the right of the soldier to vote. The only question on both sides is how to make the most of it for your side.

What most Republians fear is that War Secretary Stimson and Navy Secretary Knox will build up a fourth term drive for Mr. Roosevelt in the Army and Navy and run away with the bulk of the 11,000,000 votes involved.

Stimson and Knox are both Republicans, but have allied themselves to the Roosevelt cause as cabinet members and, therefore, are personally interested in

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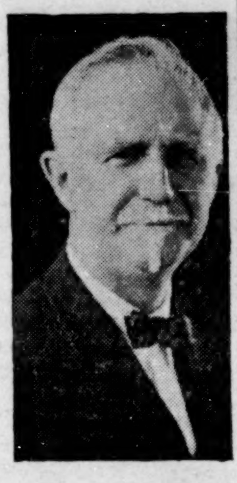
Raising Men For Business

Babson Discusses the Importance of Soil When Buying Land

Without doubt, land is one of the best hedges against inflation. Hence it is reasonable that a land boom is now starting in the Middle West. To such readers as are now tempted to buy agricultural land, I wish to say a word in my column this week. Land varies so much in productive qualities that it is foolish to talk about any price as "fair" for land. The price should depend upon what kind of men it produces.



Roger W. Babson

Insist on Highly Productive Land

To begin with, there is the question of crop productivity. Some land in Nebraska, Kansas or Iowa is much cheaper at $200 per acre than other land in the Dakotas at $20 or even at $2 per acre. The quantity of corn, wheat or what not that any acre of land will raise on a 10-year average is the first step in determining a just price. Hence, before buying or selling land get the figures on what it has produced in the past. By all means avoid buying **unproven raw** land.

The second question to consider is what the land's location and climate are best suited to produce. For instance, I have four tracts of land in mind in Florida which all look the same to a novice. Yet for one tract, suitable only for pasture, $15 per acre is a fair price; for another, suitable only for citrus, $40 per acre is a fair price; for another tract on the East Coast, suitable for beans, $200 per acre is a fair price; while the best bargain of all is a tract in Sanford, Fla., at a price of $1,000 per acre, which is ideal for celery. Yet land may be highly productive and profitable commercially while the stuff which it raises may have very little nourishment. Hence, it will not raise strong families.

Have Soil Analyzed for Minerals

For those readers who want not a commercial farm but a small sustenance farm for raising and feeding a good family of children, there is a third series of questions to consider. The farm should be within walking distance of schools, churches and stores, or else on a bus line; it should have drained, fertile land, and it should have good neighbors. In addition, the land should contain the right minerals for making brains, brawn and character. All we are—except for our spiritual and physical

(Continued on page 538)

Monetary And Banking Trends To Continue Throughout 1944

In discussing probable monetary and commercial banking developments, B. H. Beckhart, Professor of Banking at Columbia University, stated in an address before the American Statistical Association on Jan. 19, that the tendencies in evidence in 1943 would persist in 1944. Money in circulation, he said, would continue its upward trend, the gold stock would continue to decline and commercial banks and the Federal Reserve Banks would increase further their holdings of Government obligations. The deposit liabilities of commercial banks would continue to rise. According to Prof. Beckhart the function of the Federal Reserve Banks would continue to be that of keeping member bank excess reserves at about $1,000,000,000 in order to maintain the present level and term structure of interest rates. Likewise, he added, commercial banks would continue to play the same role in the Government security markets as they did in 1943, purchasing Government obligations from current holders and participating in new allotments by the Treasury.

B. H. Beckhart

In the absence of a reduction in member bank reserve requirements, Prof. Beckhart estimated that the Federal Reserve Banks would increase their holdings of Government obligations by a larger amount in 1944 than was the case in 1943. In his opinion, the amount of the public debt absorbed by commercial banks, however, would probably be less than it was in 1943, when it totalled $19,000,000,000, of which about $8,000,000,000 came from the market. Commercial bank deposit liabilities would also increase by a smaller amount than last year, when the rise approximated $19,000,000,000. In conclusion, he stated that because of the continued decline in the ratio of capital funds to total loans and investments, commercial banks should carry excess net earnings to capital funds and should lay plans to strengthen their capital structure in the post-war period through the issuance of additional stock.

The State Of Trade

The heavy industries continue to operate at their recent high levels, with reports from many business quarters favorable. Retail trade showed marked improvement last week, with a sales rise of 14% in the department stores of the United States.

The Federal Reserve Board reports that industrial activity declined slightly in December from the record October-November level, chiefly as a result of reduced steel and chemicals output. The board's seasonally adjusted industrial production index fell two points to 245% of the 1935-39 average. Despite a 6% drop in steel production to the same rate as December, 1942, the year's output of 88,900,000 tons, the board said, was 2,800,000 tons larger than that of the previous 12 months.

Production of electricity declined slightly to 4,531,662,000 kilowatt hours in the week ended Jan. 22nd, from 4,539,083,000 in the preceding week, according to the Edison Electric Institute. This was 14% above the year-ago comparative of 3,974,202,000. Consolidated Edison Company of New York reported system output of 226,200,000 kilowatt hours, an increase of 30.3% over the year-ago total of 173,600,000.

Carloadings of revenue freight for the week ended Jan. 22nd, totaled 798,722 cars, according to the Association of American Railroads. This was an increase of 18,502 cars from the preceding week this year, 95,428 cars more than the corresponding week in 1943 and 19,359 cars under the same period two years ago. This total was 124.42% of average loadings for the corresponding week of the 10 preceding years.

Steel production for this week has reached the highest level since Nov. 1st, just before the coal strike, the American Iron & Steel Institute announces. Current schedules call for output at 99.8% of rated capacity of ingots and castings, or 1,734,800 net tons for the week. Production last week was at 99.4%, equivalent to 1,727,900 tons, and for the week beginning Jan. 30, 1943, output totaled 1,702,100 tons.

The War Production Board's task of holding down the lid on civilian production will become more difficult as time goes on due to rising pressure in favor of faster easing of restrictions, "Iron Age" stated recently.

Despite official announcements that controls will be maintained for the time being, allotments have been issued recently for steel in small amounts for several consumer items and it has been reported that an experiment in producing civilian goods will get under way on a limited scale in three areas about Feb. 1, the trade journal asserts.

"In the interval before the resumption of civilian goods production, a resumption which is expected in official quarters to follow a successful invasion of the European continent, steel ingot operation may slump," the magazine states. Members of the Steel Industry Advisory Committee, it pointed out, have indicated that they expect a drop in ingot production soon to about 85% of capacity. If the invasion becomes stalled and controls are maintained rigidly, steel output may slide considerably below 85%, they said. The War Production Board meanwhile announced that it had recommended to the Defense Plant Corp. termination of work on seven steel plant expansion projects, it was pointed out.

There was a decided improvement in retail trade last week. Department store sales on a country-wide basis were up 14% for the week ended Jan. 22, compared with the like week a year ago, according to the Federal Reserve System. Sales for the four-week period ended Jan. 22 were up 2% compared with the like period last year. Department store sales in New York City in the week ended Jan. 29 were 10% larger than in the corresponding week of last year, according to a preliminary estimate issued by the Federal Reserve Bank of New York. In the previous week, ended Jan. 22, sales of this group of stores were 6% better than in the like 1943 week.

Unusually mild weather, giving a spur to buying of spring clothing, lifted retail trade out of the doldrums last week after a period of post-holiday dullness, Dun & Bradstreet, Inc., reported.

Brunie To Mobilize Financial Firms For Red Cross War Fund

The financial firms of New York will be mobilized to support the Red Cross 1944 War Fund under the leadership of Henry C. Brunie, Chairman of the Board and President of the Empire Trust Co., it is announced by Eugene W. Stetson, Chairman of the Manhattan Commerce and Industry Committee for the campaign. The nationwide Red Cross appeal for $200,000,000 will open on March 1. New York City has been assigned a quota of $22,386,000 of which approximately two-thirds must be raised by Commerce and Industry. In 1943, 73% of New York City's $14,344,000 was raised through Commerce and Industry's contributions.

Mr. Brunie's section of the Commerce and Industry Committee contains 31 divisions, each of which will be headed by its own chairman. Among the divisions in each major category are: Banks and Trust Companies, Savings Banks and Savings and Loan Associations, Loan Companies, Finance Companies, Collection Agencies, Brokerage and Investment Companies, the New York Stock Exchange, the Curb Exchange, the Produce Exchange, the Cotton Exchange, the Unlisted Securities Exchange, Investment Bankers and Counsellors, and Investment Trusts, as well as General Insurance and Life Insurance Companies, Brokers and Agents. In addition to the foregoing, all unallocated gifts are included in this section.

John E. Bierwith, President, of the N. Y. Trust Co., has been appointed Chairman of the Banks & Trust Companies division, it is announced by Mr. Brunie.

War Adv. Conference In Chicago In June

The Advertising Federation of America will hold its 40th annual meeting and second War Advertising Conference and Exhibit at the Hotel Sherman, Chicago, June 4 to 7 inclusive, according to announcement by President Joe M. Dawson. "It was the almost unanimous agreement of our Board," said Mr. Dawson in making the announcement, "that the high character and value of our first War Advertising Conference in New York last June justified a second such meeting this year. The war is still on. Advertising is playing an increasingly important part in directing our civilian wartime efforts as the struggle becomes more intense. These must be brought into our local communities with more telling effect. Besides, advertising has a tremendous responsibility just ahead in the post-war era. A portion of our discussion at the Chicago meeting will deal with this vitally important subject of advertising's job after the end of hostilities.'

Immediate Action On Problem Of Disposal Of War Property Urged By Guaranty Trust Co.

Citing as "one of the major economic problems arising from modern wars—that of disposing of surplus war supplies," which, it notes, "has already appeared in a preliminary form," the Guaranty Trust Co. of New York in the Jan. 25 issue of "The Guaranty Survey," its monthly review, states that "it is obvious that, if this tremendous problem is to be dealt with successfully, preparations cannot be made too soon." It is pointed out in the Survey that "in its present stage, the problem is mainly one of redistributing raw material and productive equipment in such a way as best to promote the effective prosecution of the war. Contract terminations and 'cutbacks' in certain items, combined with unexpectedly favorable production records, are making supplies available for the use of producers of other items."

The problem as now brought forward "has drawn the attention of authorities," says the Survey, "to the vastly greater disposal problem that will inevitably confront Government and industry after the war, or during the final phase of the war, and has stimulated administrative and legislative efforts to prepare to meet the problem in an orderly and systematic way." "Such plans," it goes on to say, "of course, must not be allowed to interfere with the paramount task of winning the war; for it appears that the hardest fight of all still lies ahead. Developments have shown, however, that adequate preparation for the handling of the disposal problem must be made in advance. The steps taken now may go far in determining the speed and smoothness of the transition from wartime to peacetime economy and the strength of the foundations on which the post-war industrial structure must be built." The Survey continues:

"As the war goes on, the disposal problem will increase both in magnitude and in scope. Materials and equipment, instead of being rechanneled into new branches of war industry, will become available for civilian use. Actual military and naval supplies in the possession of the armed services will become surplus. And finally there will remain the most difficult and important problem of all—that of disposing of the huge industrial plants built and owned by the Government.

"Only a rough idea of the size of the task and the strength of the economic forces, good or evil, that will be created in disposing of surplus war materials can be gained from estimates of the total money value of the property involved. While it is apparently impossible to arrive at a close approximation, the amount of goods of all kinds that will eventually have to be disposed of has been placed by some authorities as high as $65 billion—a sum not far below the entire national income in a fairly prosperous year before the war. The Government's investment in war plants and facilities alone includes about 2,600 establishments valued at approximately $15 billion, and these totals will be even larger before the war is over.

"In the face of these complexities and uncertainties, it will be the difficult task of the authorities charged with disposal to redistribute the many types of surplus property at such rates and in such directions as will be most conducive to two main objectives: first, recovery of the largest possible share of the Government's original expenditure; second, maximum benefit, or minimum damage, to the general economic fabric of the nation. . . .

"Unless plants suitable for civilian production are made available in an orderly way for private production and employment as quickly as possible after the war is over, it is believed, employment will be reduced below what it could be. On the other hand, to 'dump' any excess consumer supplies acquired for war purposes upon the market at the completion of hostilities is regarded as certain to lessen the possibilities of such production and employment, with a social loss that would far more than offset any immediate financial gain to be obtained by the Government from the quick sale of the supplies. It is recognized, however, that the goods should not be permanently 'frozen' in the hands of the Government. A joint board representing the armed forces should stipulate as quickly as possible what property is needed for national defense, and all other property should be completely disposed of during a specified period to be determined by the commission.

"Preliminary steps in the adoption of some such program should be taken without delay. Government agencies should immediately establish records of their war property, and any such property becoming surplus should be promptly placed under the control of the disposal authority. The whole plan should be administered with a view to the rapid stimulation of post-war employment, the effects on existing enterprise and the interests of the taxpayers. Equipment and supplies should be made available, as far as practicable, in quantities permitting acquisition by small as well as large concerns—an objective that can be attained only in part, since many of the facilities consists of extremely large units. No class of property should be disposed of, or terms fixed, except after consultation with committees representing the industry or industries most directly affected. Property should be disposed of, as far as possible, through regular trade channels by the industries that originally produced it.

"While sale is preferable to lease, there is no vital objection to the latter in cases where property cannot be promptly sold to advantage. Whether the property is sold or leased, however, the Government should not accept equity securities in payment. Surpluses held abroad, competitive with products of the United States, should be disposed of abroad when possible; and the disposal authority should have power to distribute property for the reconstruction and rehabilitation of devastated areas. When property is disposed of abroad it should be debarred from subsequent reimport into the United States, if such reimport would tend to have an adverse influence on domestic economy. . . .

"There will probably be strong agitation in certain quarters for the retention of some facilities by the Government for purposes of experimentation in industrial operation. The temptation to adopt this course will be especially strong with respect to the many properties that can be sold or leased for private operation only at considerable loss. To pursue such a policy, except in so far as considerations of national defense may require it, would be to strike a blow at business confidence that might delay indefinitely the return of millions of men to civil employment and force upon the country a system of economic regimentation that would be the direct negation of the principles of freedom for which the war is being fought. There could be few surer ways of 'losing the peace' than to make surplus war property an instrument of further penetration by government into the business field."

President Calls For Brotherhood Week February 20-26

In urging nation-wide observance of Brotherhood Week, Feb. 20 to 26, President Roosevelt recently declared that now is a good time for the people "to pledge renewed devotion to the fundamentals upon which this nation has been built."

The President's message was contained in a letter to Dr. Everett R. Clinchy, President of the National Conference of Christians and Jews, according to the New York "Times," in which the message was published as follows:

"The annual observance of Brotherhood Week is a time both of reminder and dedication. It reminds us of the basic religious faith from which democracy has grown—that all men are children of one Father and brothers in the human family. It dedicates us to the practice of understanding and justice through which freedom and equality flourish in human society.

"While we are engaged in a mighty struggle to preserve our free institutions and to extend the boundaries of liberty in the earth, it is good for us to pledge renewed devotion to the fundamentals upon which this nation has been built. Brotherhood must prevail. Our inescapable choice is brotherhood or chaos.

"On land and sea and in the air, the sons of the United States fight as one though they come from every racial and cultural strain and though they worship at different altars. They are brothers in arms now, soon, pray God, they shall be brothers in peace. We on the home front must see that history shall not repeat itself in post-war hatred and intolerance. It is for us to make the homeland more nearly a land of brotherhood, worthy of the victory our gallant sons and daughters shall surely win.

"I, therefore, heartily join with the National Conference of Christians and Jews and with all forces of good-will in our country in urging nation-wide observance of Brotherhood Week, Feb. 20 to 26, 1944. I hope that our citizens will meet in church and schoolhouse, in halls and public places to think through the implications of practical brotherhood today, to cement our country's unity during the trying times to come, and to pledge anew allegiance to the flag which is a living symbol of liberty and justice for all."

Biddle Joins Staff Of Invasion Army

President Roosevelt announced on Jan. 22 that he has accepted the resignation of Anthony J. Drexel Biddle Jr. as Ambassador-Minister to the exile governments of Poland, Norway, Belgium, Czechoslavakia and Luxemburg in London to permit him to become a Lieutenant Colonel on the staff of Gen. Dwight D. Eisenhower, Supreme Allied Commander, in London. Mr. Biddle will serve as liaison officer for relationships between Gen. Eisenhower and the Allied Governments.

In accepting Mr. Biddle's resignation, the President wrote that "in view of the fact that we are, I hope, approaching the period when these goverinments must look forward to the re-establishment of their countries, I think it is very wise for us to take up the military side of the restoration problems, and it is, therefore, entirely right and proper that you should act as liaison officer between them and our own armies."

Mr. Biddle was sworn into his Army post at a brief ceremony in the Munitions Building, Washington, on Jan. 22.

Industrial Activity Declined Slightly In December, Says Federal Reserve Board

The Board of Governors of the Federal Reserve System announced on Jan. 26 that industrial activity declined slightly in December from the record levels reached in preceding months. Prices of commodities at retail showed little change and distribution was maintained in large volume.

The Board's summary of general business and financial conditions follows:

Industrial Production

"The Board's seasonally adjusted index of industrial production, which had been at 247% of the 1935-39 average in October and November, declined to 245% in December, reflecting largely decreases in output of steel and chemicals.

"Steel production dropped 6% in December to the same rate as in December, 1942. Output for the year, however, totaled 88,900,000 tons, which was 2,800,000 tons larger than the year before. Activity in the transportation equipment and machinery industries was maintained in December at a high level. The number of aircraft accepted during the month was slightly larger than in November and was at approximately the average monthly rate scheduled for 1944. The average weight of planes to be produced, however, will continue to increase. Deliveries of merchant vessels in December were the largest on record, bringing the total for the year to 19,238,626 deadweight tons, as compared with 8,089,732 tons in 1942. Lumber production in the last two months of 1943 was above the level of a year ago in contrast to the first ten months of 1943 when output averaged 10% below the same period in 1942.

"Activity in the chemical industry declined 5% in December, reflecting a large reduction in output of small arms ammunition in accordance with plans of the armed forces. Cotton consumption declined further in December to a level 13% below December, 1942. Newsprint consumption declined seasonally. Further restrictions on its use, as well as on the use of printing paper in books and magazines, were made effective Jan. 1, 1944, owing to inadequate supplies of pulpwood. Output in the petroleum refining and rubber products industries increased further.

"Crude petroleum production showed little change in December and output of coal was restored to a high level. Bituminous coal production for the year exceeded 1942 output by 1.6%. Iron ore production continued to decline seasonally in December and output for the year was approximately 4% below 1942.

"The value of construction contracts awarded in December, according to reports of the F. W. Dodge Corp., was greater than in recent months, reflecting mainly increased Federal awards for manufacturing and other non-residential buildings.

Distribution

"December department store sales were slightly larger than a year ago and combined with November sales were 11% larger than in the corresponding months last year. For the year 1943 total value of sales reached a new peak —about 12% larger than 1942 and 55% larger than 1939. Sales during the first two weeks of January were about the same as last year.

"Railway freight traffic in December and the first part of January was unusually heavy for this season. For 1943 total freight carloadings were about the same as in 1942. Shipments of grain and livestock averaged about 20% above 1942, while loadings of ore, forest products, and less-than-carload-lot freight averaged 8% lower.

Commodity Prices

"Wholesale prices of agricultural and industrial commodities showed little change from the middle of December to the middle of January and the general index of the Bureau of Labor Statistics remained at 103% of the 1926 average.

"Retail food prices declined slightly from mid-November to mid-December, while other groups of cost-of-living items increased and the total index advanced 0.2 to 124.4% of the 1935-39 average.

Bank Credit

"During the latter part of December and the first two weeks of January excess reserves at all member banks were maintained at an average level close to $1,100,000,000. Purchases of Government securities by the Federal Reserve Banks offset the effect on reserves of increases in non-member deposits at the Reserve Banks and the increase in currency in circulation. The System portfolio of Government securities increased by $900,000,000 in the five weeks ending Jan. 19. After allowance for expected seasonal movements, currency in circulation increased less in December than in November but there was little post-Christmas return flow.

"Loans and investments of reporting member banks in 101 leading cities, which had been decreasing steadily since late October, declined by an additional $620,000,000 during the five weeks ended Jan. 19. A large part of the decline reflected sales of Government securities, principally Treasury bills, to the Federal Reserve Banks. Holdings of United States Government securities were reduced by $370,000,000. Total loans declined by $230,000,000, representing reductions in loans to banks, in commercial and industrial loans, and in "other" loans, mainly instalment credit. Adjusted demand deposits, which had increased sharply from the middle of October to the middle of December, declined somewhat over the year-end, but increased again in the first half of January. United States Government deposits at banks continued to decline."

Senator Van Nuys Dies

Senator Frederick Van Nuys (Dem., Ind.), Chairman of the Senate Judiciary Committee, died on Jan. 25 at his home in Vienna, Va., after a brief illness. He was 69 years old. In addition to the Judiciary Chairmanship, Mr. Van Nuys also was a member of the Senate Committees on Foreign Relations, Indian Affairs, and Executive Expenditures.

The Senator had been currently conducting an investigation of the liquor industry and was scheduled to hold a hearing on Jan. 25.

He had been a member of the Senate since March, 1933, taking an active part in legislative affairs and leading Democratic opposition to some New Deal measures, the most notable being the Supreme Court reorganization plan in 1937. However, Senator Van Nuys was a staunch supporter of President Roosevelt's foreign policy. He was the Senate sponsor for the anti-lynching bill, which still is pending before the Judiciary Committee, and advocated Federal legislation to outlaw the poll tax as a qualification for voting. Mr. Van Nuys was also co-author, with Senator Bailey (Dem., N. C.) of the bill to affirm the intent of Congress that the regulation of the insurance business remain under control of the States.

Mutual Savings Banks Gained $1,086,000,000 Deposits In 1943

Record deposits and assets, representing about one-eighth of all American bank deposits, were reported at the beginning of 1944 by members of the National Association of Mutual Savings Banks. In 1943 deposits alone increased by $1,086,067,095, a gain unmatched in 128 years of the mutual savings bank system, said the Association on Jan. 31, which indicated that this increase brought total deposits of mutual institutions in the 17 states where they operate, to the new peak of $11,707,025,048. Increase of deposits in the last six months of the year was greater than in the first six months, pointing to the spread of thrift. It is added:

"This record peak of savings emphasizes that the American people are restricting their spending and applying their will to save for personal and national requirements," said George J. Bassett, President of the National Association of Mutual Savings Banks, and President, Connecticut Savings Bank, New Haven. He pointed out that "day-to-day saving is of utmost importance in financing the war thereby combating inflation and providing for the future of the individual." Mr. Bassett further said:

"Substantially every dollar of the large deposit gain made by mutual savings banks in 1943 was turned over to the Government for its securities. Thus holders of mutual savings accounts have the satisfaction of knowing that their deposits go into the war effort, but at the same time they enjoy the advantages of keeping their savings readily available. Besides, mutual savings banks have distributed $1¼ billions of War Savings Bonds to the public."

The Association reports that assets of mutual institutions paralleled deposits, gain for the year being $1,092,254,162. This addition raised the total to a new peak of $13,042,381,668. Increase of assets in the second half of the year likewise was higher than in the first half. The announcement also states:

"Mutual savings bank officials maintain that number of depositors is a better yardstick of saving than sums deposited. The year 1943 showed a gratifying increase, mutual institutions reporting a gain of 418,068 depositors, raising the total to 15,712,211. As each account represented the welfare of at least two persons, the figures indicated that about one-fourth of the American population has a first line of defense in mutual savings accounts.

"Combined surplus account of mutual savings banks rose by $46,966,310. This expansion increased total surplus to $1,326,628,563, likewise a peak. The ratio of surplus to deposits stood at 11.3%, more than 11 cents of added protection for each dollar of deposits, this ratio constituting one of the highest average reserves for any similar accumulation of capital.

"Although total deposits of mutual savings banks at the year-end had reached such an imposing total, wide distribution of this money was shown by the average account, amounting to $745.09, a rise from $694.45 one year ago.

"Continued low returns from invested capital were reflected in the average interest-dividends paid by mutual savings banks, amounting to 1.81% upon deposits.

"While mutual savings banks gained largely in deposits and number of depositors, they served the Government as one of the principal distributing agencies of War Savings Bonds, having distributed approximately $1¼ billions of such bonds, a twentieth part of all these bonds sold throughout the United States. Mutual institutions in 1943 invested at least $1,600,000,000 in regular Government issues, or about half a billion dollars more than the increase in deposits."

Cites Need For Advertising To Prevent Wholesale Post-War Bond Redemptions

It is time now to begin plans for national advertising which will help prevent wholesale redemption of war savings bonds immediately after the war is won, according to the monthly survey of business in the magazine "Banking," official publication of the American Bankers Association. The survey is prepared by William R. Kuhns, the publication's editor. The survey points out that since Pearl Harbor, much of the advertising material of both Government and business has stressed that purchases of war bonds will provide funds for individuals and families to use in buying post-war goods. However, the survey says, steps should be taken to discourage wholesale liquidation of the bonds. The survey also states:

"The patriotic motive for buying War Bonds is paramount and assumed but the answer nobody knows is — should the public be urged to buy bonds as a means of saving money for post-Hitler purchases or is this a dangerous idea? Would it lead to wholesale War Bond redemptions as soon as the war seems about to end?

"The question is far from academic. It is in fact the subject of innumerable cross-table discussions and the source of some headaches on the part of those concerned with present day advertising. Obviously it would be unwise to build up through advertising and other means the prospect of a bond redemption rush or a 'run' on the Treasury at the end of the war.

"On the other hand it is extremely important to build up a powerful latent demand for peacetime goods which must make itself felt immediately when war orders slacken. Certainly if the public is not in a frame of mind to want houses, automobiles, and all the post-Hitler goods that will be available, there will be trouble. Also the public must have the money to pay for these things and logically they will start digging out their War Bonds unless some other way can be found to provide extra funds.

"There have been many suggestions looking toward a solution. One is that a national advertising campaign be planned under the aegis of the Treasury for the period roughly corresponding to the termination of hostilities. This would urge people to hold their bonds.

"However, unless this effort could be accompanied by some suggestion of an alternative, that is to say, a source where they could obtain money for post-war purchases, it would simply be a case of urging people not to spend. This would be not only harmful, but, all things considered, is well beyond the range of possibility. If people want to buy and need money, they will spend their bonds and no amount of persuasion will prevent large-scale redemptions. . . .

"Another possibility being urged by at least one nationally known manufacturing concern is to make the bonds available as collateral for loans. There could be devised some method of restricting the purposes for which such loans could be made and thus guide the money into useful channels."

WMC Policy On Wages of Prisoners-of-War Labor

Increases in the prices paid the Government by private employers for the labor of prisoners of war since the War Manpower Commission undertook to certify going wage rates were revealed on Jan. 6 in a statement by Paul V. McNutt, WMC chairman.

An agreement between the War Manpower Commission and the War Department under which the former certified the need for prisoner-of-war labor in any given case, and the wage rates to be used in determining the contract price for the work performed became operative Sept. 17 last, says the statement, which goes on to say:

"Up to Sept. 4, only 32% of all contracts in agriculture called for wage rates of 30 cents an hour or over. Between Sept. 17 and Nov. 15 this increased to 70%.

"Non-agricultural wage rates for such labor similarly increased. Between Sept. 17 and Nov. 15, one-half of the contracts called for wages of 40 cents an hour or over, while only 35% of the contracts before Sept. 4 specified such wage rates. Non-agricultural occupations include food processing, pulpwood cutting, and road work.

"Mr. McNutt said that the upswing in wage rates was due to WMC policy that the cost to the employer of war prisoner labor must not be less than that which would be incurred with the use of civilian workers. The Commission also requires that working conditions be equivalent to those prevailing in the locality for civilian workers performing similar jobs."

According to Mr. McNutt, "prisoners of war now in this country constitute a very important reserve source of manpower. This despite the fact that many circumstances militate against their utilization." Mr. McNutt is further quoted as saying:

"In the first place, the War Manpower Commission itself requires that before need for such labor is certified, all supplies of free labor, including secondary sources, within the area from which workers normally come to perform work of this type, must be exhausted. If there still is labor to be obtained by study of local employment office registration or Selective Service questionnaires; by recruitment of workers by personal canvass, advertising, or through cooperation with labor organizations and other community groups, or in any other way, then it cannot be said that an area's supply is 'exhausted.'

"In the second place, when a need is established, beyond question, there are certain conditions that must be met. These include limitations imposed by the Geneva Convention as to type of labor, etc., shortage of guards, transportation difficulties, the fact that detention camps are concentrated in areas where few work opportunities exist, and the unwillingness of the War Department to bring prisoners of war into congested areas.

"In any event, the War Manpower Commission will continue to operate, with respect to the employment of prisoners of war, in conformity with this fundamental policy:

" 'Prisoners of war shall not be used in any way which will impair the wages, working conditions and employment opportunities of resident labor, or displace employed workers.' "

States Rights Soldier Vote Bill Denounced By President As Fraud; Urges Federal Ballot

President Roosevelt, in a special message to Congress on Jan. 26, urged the prompt enactment of adequate legislation for service men's voting this year and denounced a proposed "States' rights" measure as "a fraud upon the American people".

While saying "this is solely a legislative matter" and that he was speaking "as an interested citizen", the President called for passage of a compromise bill under which the Federal Government would provide the machinery for distributing the ballots to the troops and collecting them but leaving determinatioin of the validity of the absentee ballots and counting of them to the election officials of the States.

In his message the President asserted: "Our millions of fighting men do not have any lobby or pressure group on Capitol Hill to see that justice is done for them," and added:

"As their Commander in Chief, I am sure that I can express their wishes in this matter and their resentment against the discrimination which is being practiced against them."

Mr. Roosevelt discussed at length the "innumerable difficulties" involved in solving the problem through improvement by the States of their own absentee ballot machinery. He also took cognizance of the fact that it would be possible for members of Congress to decide on the soldiers' vote legislation without a roll-call vote and declared that they "ought to be willing in justice 'to stand up and be counted' " so that the people could know how their individual representatives had expressed themselves on this legislation.

The President was particularly critical of the "meaningless bill", passed by the Senate on Dec. 3 and now pending in the House, under which the States would handle the servicemen's vote problem.

In advocating "a complete change of machinery for absentee balloting, which will give the members of our armed forces and merchant marine all over the world an opportunity to cast their ballots without time-consuming correspondence and without waiting for each separate state to hold its primary, print its ballots and send them out for voting," the President cited the recent bills proposed by Senators Green and Lucas and by Congressman Worley, S. 1612, H. R. 3982, which, he said "seem to me to do this job." The President's message to Congress follows in full:

To the Congress of the United States:

The American people are very much concerned over the fact that the vast majority of the 11,000,000 members of the armed forces of the United States are going to be deprived of their right to vote in the important national election this fall, unless the Congress promptly enacts adequate legislation.

The men and women who are in the armed forces are rightfully indignant about it. They have left their homes and jobs and schools to meet and defeat the enemies who would destroy all our democratic institutions, including our right to vote. Our men cannot understand why the fact that they are fighting should disqualify them from voting.

It has been clear for some time that practical difficulties and the element of time make it virtually impossible for soldiers and sailors and marines spread all over the world to comply with the different voting laws of 48 States and that unless something is done about it, they will be denied the right to vote.

For example the statutes of four of the States permit no absentee voting at all in general elections. Eleven other States require registration in person in order to be able to vote. Others permit absentee registration; but in some instances the procedure is so complicated and the time is so limited that soldiers and sailors in distant parts of the world cannot practically comply with the State requirements.

But even if the registration requirements were met, there are still innumerable difficulties involved. For example, Private John Smith in Australia, and his brother Joe who is on a destroyer off the coast of Italy, who think they are entitled to vote as well as to fight, find that they have to write in and ask the appropriate public officials in their own State for absentee ballots.

In every State these ballots cannot even be printed until after the primary elections—and in 14 States the primaries do not take place until September. In due time the ballots are printed—but they cannot always be sent out immediately, since in about half the States the absentee ballots cannot be mailed until 30 days or less before the election.

Weeks after they are mailed out, they reach John Smith in Australia and Joe aboard his destroyer. Even assuming that John and Joe, in the meantime, have not been transferred to another station or ship, or have not been wounded and sent to a hospital, it is doubtful whether the ballots will get back in time to be counted. If they have been moved, as is very likely, the ballots may not even reach them before election day.

In 14 States the procedure is even more time-consuming and cumbersome—for instead of writing for an official ballot John and Joe must first obtain special application forms for official ballots, which must be received and filled out and returned before the ballots themselves are even mailed to them.

The Congress in September, 1942, took cognizance of this intolerable situation facing millions of our citizens and passed a Federal absentee balloting statute (Public law 712) That law did three things: It provided for a Federal ballot to be prepared by the States; it abrogated State requirements for registration and poll tax payments in so far as they apply to members of the armed forces, and it required the War and Navy Departments to distribute postal cards to members of the armed forecs with which they might request Federal absentee ballots from their State election officials.

The Federal law was a slight improvement in that it provided absentee voting procedures in those cases where there had been no action by the States. It also eliminated some of the strict procedural requirements contained in many of the State laws. The great defect in that statute, however, was that it still involved a time lag, so that the voter might not receive his ballot in time to return it to be counted.

This defect is inherent, and cannot be avoided, in any statute under which the forwarding of ballots for distribution must wait until the candidates have been selected in the primaries, or which requires correspondence between the local election officials and soldiers and sailors who may be transferred or moved at any minute.

If any proof were necessary to show how ineffective this Federal statute was—the fact is that out of 5,700,000 men in our armed forces at the time of the general elections of 1942, only 28,000 service men's votes were counted under the Federal statute.

The need for new legislation is evident if we are really sincere—and not merely rendering lip service to our soldiers and sailors.

By the 1944 elections there will be more than 5,000,000 Americans outside the limits of the United States in our armed forces and Merchant Marine. They, and the millions more who will be stationed within the United States waiting the day to join their comrades on the battlefronts, will all be subject to frequent, rapid, and unpredictable transfer to other points outside and inside the United States. This is particularly true in the case of the Navy and Merchant Marine, components of which are at sea for weeks at a time and are constantly changing their ports of entry and debarkation.

Some people—I am sure with their tongues in their cheeks—say that the solution to this problem is simply that the respective States improve their own absentee ballot machinery. In fact, there is now pending before the House of Representatives a meaningless bill, passed by the Senate Dec. 3, 1943, which presumes to meet this complicated and difficult situation by some futile language which "recommends to the sesveral States the immediate enactment of appropriate legislation to enable each person absent from his place of residence and serving in the armed services of the United States * * * who is eligible to vote in any election district or precinct, to vote by absentee ballot in any general election held in his election district or precinct in time of war." This "recommendation" is itself proof of the unworkability of existing State laws.

I consider such proposed legislation a fraud on the soldiers and sailors and marines now training and fighting for us and for our sacred rights. It is a fraud upon the American people. It would not enable any soldier to vote with any greater facility than was provided by Public Law 712, under which only a negligible number of soldiers' votes were cast.

This "recommendation" contained in this piece of legislation may be heeded by a few States but will not—in fact, cannot—be carried out by all the States. Two States would require a constitutional amendment in order to adopt a practical method of absentee voting—which is obviously impossible to do before the November elections. Only a handful of the States—nine—will have Legislatures regularly in session this year; and, to date, only eight other States have called special sessions of their Legislatures for this purpose.

Besides, the Secretary of War, who will have the bulk of the administrative responsibility for distributing and collecting the ballots, has stated: "No procedure for offering the vote to servicemen can be effectively administered by the War and Navy Departments in time of war unless it is uniform and as simple as possible. Especially is this true with regard to the voting of persons outside the United States. * * * An army engaged in waging war cannot accommodate that primary function to multiple differences in the requirements of the 48 States as to voting procedure."

I am convinced that even if all the States tried to carry out the "recommendations" contained in this bill, the most that could be accomplished practically would be to authorize the Army and Navy to distribute and collect ballots prepared by the States in response to postcard requests from servicemen—the very procedure set forth in Public Law 712, which has been such a failure.

What is needed is a complete change of machinery for absentee balloting, which will give the members of our armed forces and merchant marine all over the world an opportunity to cast their ballots without time-consuming correspondence and without waiting for each separate State to hold its primary, print its ballots, and send them out for voting.

The recent bills proposed by Senators Green and Lucas and by Congressman Worley, S. 1612, H. R. 3982, seem to me to do this job. They set up proper and efficient machinery for absentee balloting. These bills propose that blank ballots on special paper suitable for air delivery be sent by the War and Navy Departments to all the fronts and camps and stations out in the field, well in advance of election day.

Immediately after primary elections are held, the names of the various candidates would be radioed or wired to the various military, naval and merchant marine units throughout the world —on the high seas, on every front and at every training station. The lists of candidates would then be made available to the voters, and the ballots would be distributed for marking in secrecy.

But even if the candidates' names had not been made available in an area in time to allow the ballots to be sent back to the United States, the voters could cast their votes by designating merely the name of the party of the candidates they desired to vote for. The voting date would be fixed in each area in sufficient time to get the ballots back home before election day, even if the actual names of the candidates had not been received in that particular area. The ballots would be collected and transmitted back to the United States by the quickest method of delivery for forwarding to the appropriate State election officials.

Each State, under these bills, would determine for itself whether or not the voter is qualified to vote under the laws of his State. Each State would count the ballots in the same way in which it counts the other ballots that are cast in the State. The sole exceptions would be those conditions of registration and payment of poll tax which could not be satisfied because of the absence of a voter from his State of residence by reason of the war. Those conditions were abrogated by the Congress when it passed the existing Federal absentee balloting law (Public Law 712).

There is nothing in such a proposed statute which violates the rights of the States. The Federal Government merely provides quick machinery for getting the ballots to the troops and back again. Certainly it does not violate States' rights any more than Public Law 712, which was passed by a substantial majority of the Congress in September, 1942, and which specifically provided that no member of the armed forces had to register or pay a poll tax in order to vote in a Federal election. It is no more violative of States' rights than the Soldiers and Sailors Civil Relief Act, which the Congress passed in October, 1940—more than a year before the war began.

It is true that these bills do not provide a simplified method of voting for State and local officials. The Congress has not the same authority to provide a simplified voting procedure for the thousands of State and local candidates that it has for Federal candidates. Nor would it be practicable to do so. The inclusion of all the State and local candidates would increase the size and weight of the ballot so as to make air delivery a physical impossibility.

Furthermore, the transmission and distribution of names of the many thousands of State and local candidates throughout the United States to each voter in every military and naval unit and merchant ship raise insuperable difficulties.

Since these bills provide that if any voter wishes he may use the procedure of his own State for absentee balloting, he is given, to the extent that there is any possibilty of doing so, an opportunity to vote for State and local candidates. In fact, since they provide for a postcard system to implement the State laws, each voter is given at least as great an opportunity to vote for State and local candidates as he would have under any legislation.

The inclusion of other groups of voters who are engaged abroad in war work of various kinds would be desirable. But as to members of our armed forces and Merchant Marine, I deem the legislation imperative.

Our millions of fighting men do not have any lobby or pressure group on Capitol Hill to see that justice is done for them. They are not ordinarily permitted to write their Congressman on pending legislation; nor do they put "ads" in the papers or stimulate editorial writers or columnists to make special appeals for them. It certainly would appear unnecessary that our soldiers and sailors and merchant marine have to make a special effort to retain their right to vote.

As their Commander in Chief, I am sure that I can express their wishes in this matter and their resentment against the discrimination which is being practiced against them.

The American people cannot believe that the Congress will permit those who are fighting for political freedom to be deprived of a voice in choosing the personnel of their own Federal Government.

I have been informed that it would be possible, under the rules of the Congress, for a soldiers' vote bill to be rejected or passed without any roll-call, thus making it impossible for the voters of the country—military or civilian—to be able to determine just how their own Repreesentative or Senator had voted on such a bill.

I have hesitated to say anything to the Congress on this matter for the simple reason that the making of these rules is solely within the discretion of the two houses of the legislative branch of the Government. I realize that the Executive as such has nothing to do with the making or the enforcement of these rules. Nevertheless, there are times, I think, when the President can speak as an interested citizen.

I think that there would be widespread resentment on the part of the people of the nation if they were unable to find out how their individual representatives had expressed themselves on this legislation—which goes to the root of the right of citizenship.

As I have said, this is solely a legislative matter, but I think most Americans will agree with me that every member of the two houses of Congress ought to be willing in justice "to stand up and be counted."

FRANKLIN D. ROOSEVELT,
The White House,
Jan. 26, 1944.

Deferred For Farm Work

A report of the Senate Appropriations Committee showed on Jan. 25 that 1,800,000 Selective Service registrants have been deferred from military service to work on farms, according to United Press Washington advices, appearing in the New York "World-Telegram," which likewise stated:

The report, on a $36,359,200 appropriation to finance the 1944 farm labor recruitment program, said it is estimated an additional 300,000 will be deferred this year, making a total of 2,100,000.

The committee upheld a $2,500,000 allocation made by the House to be used by the States to assist the Selective Service System in checking on "whether registrants deferred are actually contributing to production of food," the report said.

The Financial Situation

(Continued from first page)

beyond anything we have ever dreamed of in peacetime—often being about as high as or higher than we have reached during total war. Then begins the procession of schemes, devices and "programs" which are expected to build "national income" up to the figure chosen and make certain that the number of "jobs" believed to be essential will be available. In connection with all this we have of late been hearing a good deal about "liquid savings" accumulated during the war by almost every individual in the land and by most business enterprises, the notion apparently being that a substantial part of these funds, which are expected in some quarters at least to total some $100 billion or more by the time the war is over, will at once enter the market for goods and services promptly after the end of hostilities.

Work For Its Own Sake?

Similar lines of reasoning and many other terms and concepts might be added to the list, but those already cited will suffice for the present discussion. Doubtless a number of questions have already come to the thoughtful reader's mind. By what strange process of reasoning has work come to be an end, yes, even a supreme end, in itself? Few, very few people work because they want to do so. Work, really, is merely a means by which things desired are obtained. If all our wants could be satisfied with the product of half the man-days of labor ordinarily worked in American business, it would be a blessing, not a calamity. The problem would be simply that of distributing what needed to be done, and the proceeds of the labor, equitably — and we should all have all we wanted, and no one would need to labor more than perhaps half as much as usual.

Those who imagine they have found the answer either to the matter of employment or to economic well-being in something they term "national income" are in equal degree deceiving themselves. It is a little difficult to understand why it is necessary to call so obvious a fact to the attention of the public, at a time when "national income" is far above anything ever before experienced in this country—and the people are hard put to it to obtain the essentials, or what they have always considered the essentials of ordinary living. Indeed, in more ways than are often realized they are able to have the necessaries only by reason of stocks that had been accumulated prior to this era of magnificent "national income"! It certainly would not be difficult to keep "national income" at the wartime level—and employment, too, for that matter—for a good while after peace returns—by building a maginot line along the Canadian border, and a West Wall along our Southern border. But the people would presently be cold, hungry and half-shelterless amidst full employment and a "national income" as high as that dreamed of even by men like the Vice-President!

"Liquid Savings"

Economics, or life itself, is never so simple as many would have us believe. Much more is involved than adequate "employment," whatever that is, or a high "national income." But we find corresponding fallacies when we come to analyze much of the current talk of "liquid savings." Many commentators appear to suppose that these accumulated funds in the hands of almost every one and almost every business enterprise will be added to the stream of current post-war income seeking goods and services. That is to say, Mr. A, Mr. B and Mrs. C are expected to spend (either for immediately consumable goods or investment purposes) a very substantial part of their war savings and all their current earnings plus, possibly funds obtained by reinstating their usual installment debt. Business enterprises are expected to go at once into the market for various types of equipment and raw materials with funds they have been reserving for the purpose. Of course, they are expected to spend their current income either for business purposes or in dividends, or the equivalent, to owners. Thus we have literally every one buying more than he is selling—the individual buying more than he is able to sell his services for, and the business enterprise more than it is taking in from sales to the community. But, of course, unless some of these purchases are made from some source outside the community in question, such state of affairs is impossible. We need only to remind ourselves that the sum of purchases must equal the sum of sales. What then is this about everyone spending accumulated savings all at once immediately after the war?

Are They Liquid?

The truth is, of course, that a very large part of these "liquid savings" are not liquid at all. They consist of Government obligations purchased by individuals and corporations in response to appeals to help in financing the war. The funds thus invested can be used by the investor only if he can find some one else to take the bonds off his hands. That means that he must find some one else who is spending less than his or her income plus savings—or the Treasury must do so in order to honor demands made upon it—or else the banks must be called upon to create the funds for the purposes in hand. There is grave danger that this latter may well come to pass—a process which adds directly to the sum total of "money" in the hands of the public, but which adds nothing to the amount of goods available. That is, of course, one form of what is commonly known and dreaded as "inflation."

But much of these "liquid savings" is liquid in the sense that it take the form either of actual currency or else of bank deposits subject to check. This, of course, can be "spent" provided goods can be found for which to spend it, or services are offered for which it can be exchanged. But it would be quite possible, however, to generate a substantial inflationary movement—indeed an enormous one—by merely activating funds thus now held idle, particularly in a situation in which goods are not very plentiful. Both the "savings" and the "investments" of wartime are likely to acquire rather exceptional characteristics, which must not be lost to sight by those who would understand the economics of the post-war world.

Personnel Specialists In Demand NYU Reports

The demand for trained personnel specialists by local war industries and government agencies has resulted in 93% of the students who have completed a program of courses in personnel administration at New York University obtaining employment in that field, it was announced on Jan. 13 by Prof. Ray F. Harvey, Executive Secretary of the University's special wartime program for the training of personnel specialists. Prof. Harvey announced that 245 students have attended courses given under the program since it was inaugurated last year. Of these, it is indicated 190 were employed in personnel work at the time and were taking the work for upgrading purposes. Of the others 30 have already completed a full program of four courses. Twenty-eight of these have since obtained employment.

Announcing details of a new series of courses which began January 17, Prof. Harvey said that three new industrial personnel specialists have been added to those giving courses under the program. They are Robert D. Collins, personnel consultant of Barrington Associates, Inc.; Nicholas L. A. Martucci, staff assistant in personnel planning and research of the RCA-Victor division of the Radio Corporation of America; and Fred G. King, personnel director of the Star Electric Motor Company.

Instructions To Issuing Agents In Drive For Sale Of E Bonds

Incident to the Fourth War Loan Drive, under way from Jan. 18 to Feb. 15, Allan Sproul, President of the Federal Reserve Bank of New York, issued in advance the following instructions pertaining to operations of issuing agents qualified for sale of Series E War Savings Bonds:

1. Although the Drive will not open officially until Jan. 18, all sales of Savings Bonds made on and after Jan. 1 will be included in the totals for the Drive.

2. In anticipation of a substantial increase in the number of Series E Bonds to be issued during the Drive, issuing agents are urged to requisition in advance an adequate supply of bond stock so that they will be prepared to make prompt delivery of bonds during the Drive. If the maximum amount of bond stock which any agent is authorized to have on hand is considered insufficient to meet the demands anticipated during the Drive, we will consider a temporary increase in such maximum upon receipt of a written request therefor accompanied by a statement of the facts indicating the necessity for the increase.

3. For the duration of the Drive all issuing agents, except those issuing bonds exclusively to persons enrolled in payroll allotment plans, are requested to report and remit for sales *not less frequently than twice each week.* Agents issuing bonds exclusively to persons under payroll allotment plans should report sales as frequently as possible. More frequent reporting by all agents will facilitate our work and will enable us to furnish accurate and up-to-date sales reports to the State War Finance Committees which will disseminate such information among the County Chairmen throughout the Second Federal Reserve District.

The greater emphasis on sales to individuals in the coming Drive, Mr. Sproul said, will call for increased efforts on the part of all issuing agents, and for a continuation of the splendid cooperation which they exhibited in the Third War Loan Drive. He added that the bank stands ready to render prompt service to issuing agents and to assist them in every way possible.

Sloan Asks Foundations To Assume Risks In Educational Changes For Post-War World

Educational foundations can best justify their existence today by assuming the risks involved in financing new and uncertain projects which may contribute to better education in the post-war world, Harold S. Sloan, Director of the Alfred P. Sloan Foundation, declared in an article in "After the War," a bulletin published Jan. 15 by the Institute on Post-War Reconstruction at New York University.

"Looking ahead to the post-war educational world, nothing seems more certain than change." Mr. Sloan wrote. "But intelligent change means research and experimentation. Old ways need to be rooted out and re-examined; new ideas have to be developed and promising innovations tested. Such work is costly—too costly. many times, to be charged against income from private endowments or from appropriations from public funds.

"This is where foundations fit in. They absorb the cost risks of new and uncertain projects. Successful results are free for all to use who will; failures are forgotten, but in any event administrative budgets remain unimpaired. Indeed I, for one, do not know how foundations today can justify their existence better than on the grounds of being risk-taking institutions."

Mr. Sloan estimated that there were between 300 and 400 endowed foundations in this country making grants to institutions in every conceivable field of human endeavor who pay out annually about $40,000,000.

"I hope that every cent of this money is risked — intelligently. of course, but boldly. That is what we are trying to do with our small contribution, and for my part I do not know of a better way to assure progress."

Roth Leaves Treasury

The Treasury Department announces the resignation of Eugene F. Roth as an Assistant General Counsel in order to return to the private practice of law in New York City. Mr. Roth had been connected with the Treasury Department since March, 1943, and for the greater part of 1942 had been with the Special War Policies Unit of the Department of Justice. Except for another period in 1934, when he served with the National Recovery Administration, Mr. Roth has been engaged in private law practice in New York City since his graduation from the Columbia Law School in 1926.

Inter-American Inst. Of Farm Sciences

Six American Governments have to date signed the Convention for the establishment of the Inter-American Institute of Agricultural Sciences which was opened for signature at the Pan American Union in Washington on Jan. 15, in accordance with the action taken by the Governing Board of the Union at the session held on Dec. 15, 1943. The Convention was signed on behalf of the United States by Secretary of State Cordell Hull, and by the representatives of Costa Rica, Cuba, Ecuador, Nicaragua and Panama. In making this known Pan American Union press advices, add:

"The Convention will give permanent inter-American status to the Institute, which was organized to encourage and advance the development of agricultural sciences in the American Republics. Since June 18, 1942, the Institute has been functioning under a District of Columbia Charter, the members of the Governing Board of the Pan American Union constituting the Board of Directors, and with funds supplied by the Office of the Coordinator of Inter-American Affairs. The Institute, field headquarters of which are at Turrialba, Costa Rica, was formally inaugurated on Oct. 7, 1942, and the cornerstone for its first permanent building was laid by President Rafael Angel Calderon Guardia of Costa Rica and Vice President Henry A. Wallace of the United States on March 19, 1943.

The direction of the Institute is entrusted to a Board of Directors composed of the representatives of the 21 American Republics on the Governing Board of the Pan American Union. There is an administrative committee and a technical Advisory Council to aid the Board of Directors and officers in the running of the Institute. The Director of the Institute is Dr. Earl N. Bressman and the Secretary, Jose L. Colom.

Associated Press To Appeal Court Ruling

The Board of Directors of The Associated Press instructed its counsel on Jan. 18 to appeal the Federal Court judgment in the Government's civil anti-trust suit against the non-profit news cooperative. The judgment, based on a two-to-one decision of three Circuit Judges in the Southern District of New York, would restrain The Associated Press perpetually from observing by-laws under which members might consider the competitive ability of an applicant for membership. The entire judgment, filed by the Circuit Court Judges on Jan. 13, is stayed pending the ruling by the United States Supreme Court. The Circuit Court's decision was handed down on the Government's motion for summary judgment without a trial and was based on affidavits, briefs and findings submitted by opposing attorneys. The AP had sought a full trial.

The AP Directors' statement announcing the appeal follows:

No newspaper, no press service can operate successfully under a court injunction. The Associated Press is a non-profit, cooperative organization dedicated to giving an unbiased, factual report of the news.

The decision of the statutory court in New York would subject the world's greatest news gathering organization to suit and harassment and to a perpetual injunction which would render it subject to future whims of administrative officials and continued supervision of the Federal courts.

The Court found The Associated Press was not a monopoly. It found that it was not a common carrier. Yet the decision, if not appealed and overthrown, would impose a method of doing business upon The Associated Press which would hamper its efficiency and weaken its cooperative structure. There is no course open except to appeal from such intrusion. The board, therefore, passed the following resolution:

Whereas, the board of directors of The Associated Press has considered all the implications involved in the decisions of the statutory court, and

Whereas, the board has received the advice of counsel, and

Whereas, the board is unanimously of the opinion that the decision is one which limits the usefulness of The Associated Press in the proper performance of its duties;

Be it resolved, that the case be appealed to the United States Supreme Court and that counsel be directed to proceed with such appeal without delay.

In Associated Press advices appearing in the New York "Times" of Jan. 19, the following was reported:

The judgment declaring illegal by-laws under which the AP might "take into consideration the effect of admission upon the ability of (an) applicant to compete" with AP members in the same territory or field (morning, evening or Sunday) stipulated that the AP might restrict admission in other respects.

The judgment, signed by the three judges who sat as a special court in the Southern District of New York after the Government requested the case be expedited, contained three other restraints. The Court said these could be modified or terminated in the event the AP amended its by-laws respecting admission.

These additional restraints would:

Cancel the exclusive provisions of the news agreement between The Associated Press and The Canadian Press.

Enjoin observance of by-laws under which (1) the AP withholds its news report from newspapers owned by other than AP members and (2) AP members and their employees are restricted from furnishing local news of spontaneous origin gathered by them to persons other than the AP and its members.

The Court dismissed the Government's complaint that the AP's acquisition of Wide World Photos, Inc., was illegal.

The Court's conclusions of law declared:

"AP does not monopolize or dominate the furnishing of news reports, news pictures, or features to newspapers in the United States.

"AP does not monopolize or dominate access to the original sources of news.

"AP does not monopolize or dominate transmission facilities for the gathering or distribution of news reports, news pictures or features."

Reference was made in our issue of Oct. 28 last, page 1719, to the action of the three-Judge Federal Court in upholding the right of The Associated Press to pass upon admission of applicants, but ruled that the news-gathering organization by-laws "in their present form" were a violation of Federal Anti-Trust laws.

Co-operative Bank To Finance Non Profit World Trade Proposed

Formation of a co-operative bank to finance non-profit world trade was recommended on Jan. 20 by the Internationl Conference on Co-operative Reconstruction, according to Associated Press accounts from Washington, which stated that its creation would follow, "when conditions warrant" establishment of an International Co-operative Trading and Manufacturing Association that would confine its initial activities to petroleum and food production and distribution. From the associated Press advices we also quote further as follows:

"The two-fold venture topped a 12-point program adopted at the close of a two-day session called to offer assistance to the United Nations Relief and Rehabilitation Administration and to plan for the post-war period.

"Twenty-one nations were represented at the gathering, sponsored by the Co-operative League of the U. S. A.

"The 12-point program, submitted to the conference by the League's committee on International Co-operative Reconstruction, urged UNRRA to create a co-operative division to make maximum use of co-operatives in relief and rehabilitation work and to set up a loan fund to provide aid in rebuilding and repairing physical co-operative facilities in war-torn countries.

"The twin proposal for a Trading and Manufacturing Association and an International Bank is to be submitted to world co-operative headquarters in London for further consideration.

"The proposal for a world-wide non-profit petroleum organization that would have its own oil wells, refineries and tanker fleet was outlined by Howard A. Cowden, President and General Manager of the Consumers Co-operative Association of North Kansas City, Mo., who envisaged the movement as a $12,000,000 undertaking and described the possibilities as 'almost limitless.'

* * *

"He said the suggested International Co-operative Trading and Manufacturing Association would have a second division to handle distribution of food and related supplies on a world basis.

"Mr. Cowden, Chairman of the League's Committee on International Co-operative Reconstruction, predicted at today's session that the world is 'on the threshold of a great co-operative advance.'

"Using the $12,000,000 estimate for the petroleum undertaking as a maximum, he said co-operatives would advance two-thirds of the original capital, with those in this country subscribing about 20%, the remaining third to be borrowed, and he indicated that some of the money might be obtained from the Petroleum Reserves Corporation, an RFC subsidiary.

"Although suggesting Texas as the location for the internationally owned refinery, Mr. Cowden said a world survey might develop a better site in Mexico, Venezuela, Colombia or elsewhere."

The News Behind The News

(Continued from first page)

having the President re-elected to continue their jobs. The power of military officers over the men gives great controlling authority which well could be exercised in Mr. Roosevelt's behalf.

Apparently what the Administration fears is handling of the vote by the States where Republican or anti-administration Governors are in control.

By this Green-Lucas bill, Mr. Roosevelt also might save a number of Democratic Senators and Congressmen who otherwise could not be re-elected. He is supposed to have called two or three Southern Senators down to the White House and told them he must have the bill in order to save Senator Barkley, his floor leader.

Apparently Kentucky law requires a State constitutional amendment for soldier voting, and this could not possibly be enacted before November. Thus, under the States Rights Bill, Barkley could not possibly get any soldier votes, and the recent Kentucky elections showed he needs to get votes somewhere.

Neither method provides a satisfactory soldiers vote system. The Roosevelt-endorsed bill, for instance, is only a half-a-vote bill for the soldier. He could ballot only for Federal officials, not State, county and local offices in his own home district.

Furthermore, it does not provide a "ballot" except in blank. All soldiers know the Roosevelt name as that of their commander-in-chief, but few know the names of their Senators and Congressmen. How many would split the ticket in Ohio, for instance, and write in the name of Taft for Senator if confronted only by a blank page?

No doubt more soldiers would vote under the Green-Lucas Bill than under the States Rights Bill, but no one can remotely guess how many. However, there is likely to be a Presidential contest on the constitutionality of whoever would be elected under that bill. No losing candidate will overlook the legal possibilities.

A Republican constitutional lawyer, Milliken of Colorado, contends the bill is clearly unconstitutional on two points (name blanks and voting for candidates rather than electors). The defense of leading advocates on this point varies from the weak position of Senator Lucas, who claims the Congress has assumed "war powers," to the still weaker notion of a Republican advocate who said:

"To hell with the Constitution on this question."

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WPB And Industrialists Agree On No Resumption Of Civilian Production Now

Donald M. Nelson, Chairman of the War Production Board, and a group of leading industrialists agreed on Jan. 17 that with America's major offensives still to come there can be no general resumption of civilian production at the present time, the WPB announced.

In indicating this, the Board states that the industrialists had been asked by Mr. Nelson to come to Washington to examine with him and with WPB Executive Vice-Chairman Charles E. Wilson problems government and industry must face as preparations for the all-out military drive approach a climax.

"With our biggest battles coming up," Mr. Nelson said, "this emphatically is not the time to divert any substantial quantities of materials, labor or facilities to less essential civilian production. There certainly cannot be any return to volume production of less essential goods until the war picture is a great deal clearer."

From the announcement of the WPB we also quote:

"Mr. Nelson explained that the situation respecting raw materials has changed substantially since many of the controls affecting non-military production were originally devised. Some materials which were extremely scarce a year or more ago are now comparatively easy; on the other hand, many materials which were then easy are now very scarce. Consequently, WPB is making a number of re-substitutions in the use of these materials and is re-examining the various orders and controls through which the use of all these materials is determined.

"He emphasized that an easing in the supply of a basic material—such as ingot aluminum—does not of itself bring a corresponding easing in fabricating capacity for that material. Hence, while some surpluses of certain materials do exist today, these surpluses cannot immediately be thrown into the production of consumer goods. On the contrary, it is necessary to take advantage of the opportunity these surpluses present to relieve the drain on other materials that have grown increasingly tight during the past year.

"An example of this sort of thing, Mr. Nelson said is the present program to permit the manufacture of some 900,000 steel baby carriages. Far from being a 'relaxation' of the restrictions on civilian production, this program is primarily a means of substituting steel, which is comparatively easy, for the wood previously used in the making of baby carriages—wood, which is now one of the scarcest of all materials. The net effect of the program, therefore, is to save critical materials and at the same time to meet essential civilian need for a more durable and satisfactory end product."

Majority Of Mortgage Bankers Think Rent Control Administration Equitable

Although they have expressed the opinion that rents generally were frozen an average of nearly 14% too low and that many OPA regulations have worked an unjust hardship on property owners, well over half of the members of the Mortgage Bankers Association of America who participated in a current study, believe that actual administration of rent control has been efficiently and capably handled. The Association under date of Jan. 22 reports:

"This conclusion is based on findings in 100 cities in 40 States. Of those participating in the poll, 57.3% say rent control has been efficiently and capably administered in their communities. The remainder expressed opposite views, running all the way from 'too much politics' and 'incompetents in charge' to 'just what you might expect from bureaucracy' and 'rigid centralization in Washington prevented a good job being done.' In no single city of the 100, however, was there a unanimous opinion favoring OPA administration.

"Members generally believe that rents were frozen too low, based upon their experience so far. The average estimate of how much too low was 13.8%. Other prices have not been held firmly in line while rents have been, and thus property owners have not been able to control their expenses while their income remained frozen, was the most frequently expressed opinion."

L. E. Mahan, St. Louis, Vice-President of the Association, pointing out that "every post-war planning program assumes that new building will be resumed as soon as the war is over and that construction will be one of the big fields in which war-time labor will be absorbed," adds:

"If such is to be the case, rent control must be adjusted to a basis that such new construction will show a fair return. The prices at which rents are fixed must be correlated with wages, the cost of living, and all other factors; one cannot be penalized without making the other ineffective. It now seems conclusive, however, that OPA erred in freezing the rent level too low and it has certainly been unwise in some of its rulings."

This was the fourth report in a study now being conducted by the Association on nearly 30 war-time and post-war problems designed to supply data for further planning.

The results of the MBA survey on the freezing of rents was referred to in these columns of Jan. 13, page 190.

Urges Early Filing Of Tax Returns

Harold N. Graves, acting Commissioner of Internal Revenue, urged all wage earners on Jan. 28 to start filling in their annual income and victory tax returns as soon as they receive the wage and tax receipts now being distributed by employers. It is pointed out that these receipts, which employers are required under law to issue by Jan. 31, show the amount of wages paid and the amount of income and victory tax withheld during 1943. Therefore, they provide the wage earner with two of the key figures he needs for filling in his return.

"As soon as you get your receipt," Commissioner Graves commented, "you should be in a position to make out your return and you will find it to your great advantage to do so at the earliest date." He added:

"One of the most important reasons for acting early is to determine how much if any tax you must pay by March 15, which is the deadline for filing. Some of you will owe a substantial amount, many will owe a small figure, others will get refunds. You owe it to yourself to find out at once about your own situation.

"The practical way to find out where you stand is to fill out your return. Then after you have filled it out, you should file it with the Collector of Internal Revenue in your district as long before March 15 as convenient."

Wage Control Program For Farm Workers To Be Set Up By War Food Administrator

What is termed as an unprecedented wage control program for agricultural workers, with maximum ceilings of $2,400 a year, has been ordered by War Food Administrator Marvin Jones. Noting this the Associated Press indicated on Jan. 22 that the War Food Administration labor offices have been directed to set up State farm wage boards to hold hearings and establish maximum wages, according to aids of the administrator, who disclosed the plan. Associated Press, on Jan. 22 also had the following to say in Washington advices:

"These groups would function much in the manner of the War Labor Board in determining the ceilings for industrial workers, on the basis of the 1942 wage stabilization act. Stabilization Director James F. Byrnes put farm wages under the supervision of WFA, but officials did not consider it necessary to take any immediate general action toward control.

"Now, however, farm wages have reached the highest point in 20 years. Many workers have gone into war plants. Those who have remained on the farms have repeatedly received what amounts to a blanket deferment from selective service. There are few restrictions on their transfer from one farm to another. Thus they are in a position to bargain.

"This, it was disclosed, has played a big part in leading the WFA into the unprecedented wage control program.

"A recent report of the Bureau of Agricultural Economics stated that in every section of the country farm wages had shown a sharp increase in the previous 12 months.

"For the year 1943, wages stood at 264% of the 1910-14 average, and 64 points above the 1942 level. Present rates are said to average $63 a month, with board, compared with $50.91 a year ago and with $26 for the 1935-39 average. In some areas wages are considerably higher than the average.

"The farm wage boards will be instructed to set ceilings only for specific types of work or farm operations for certain designated areas. Wages considered substandard will not be affected. However, ceilings below the $2,400 level may be set if boards consider it necessary.

"Increases in pay above the $2,400 level would be permitted only with the approval of the Food Administrator, except in cases of increases above $5,000, where control rests with the Commissioner of Internal Revenue.

"WFA officials said that the farm wage regulations would subject violators to severe penalties. Under provisions of the stabilization act, maximum penalty is a fine of $1,000, and imprisonment for a year. Both employers and employees would be liable.

"The regulations also prohibit reductions in wage rates below the highest wage or salary paid for the particular work between Jan. 1, 1942, and Sept. 15, 1942."

Simplified Income Tax Return Plan Proposed In Bill Of Rep. Carlson Of Kansas

Simplification of income tax laws to eliminate 9,000,000 persons from the tax rolls and make unnecessary the filing of returns by 30,000,000 was proposed on Jan. 24 in a bill by Representative Carlson (Rep., Kan.).

Mr. Carlson's bill, according to the Associated Press, would:

1. Provide for only one tax on personal income with a single base and a single set of rates and exemptions, through merger of the Victory Tax with the regular income tax.
2. Eliminate filing of returns by persons whose tax liability is substantially withheld at the source, but permit returns to be filed at the taxpayers' option. This would affect 30,000,000 of the approximately 50,000,000 taxpayers and in general cover those who are not now required to file declaration of estimated tax.
3. Permit use of the short form of return by taxpayers with up to $5,000 gross income. (Present limit is $3,000.)
4. Strip down both the short and long form of returns.
5. Give taxpayers until January, following the close of the taxable year in which to file an amended declaration of their estimated tax and thereby avoid penalty for any underestimate.

The Associated Press account further said:

Removed from further tax obligation would be those small taxpayers now subject to the Victory Tax but whose earnings are not enough to come within the regular income tax levies.

"The elimination of the Victory Tax through merger with the regular tax," Mr. Carlson said, "requires the increase of the existing surtax rates by approximately three points in each bracket, in order to preserve relatively the same total burden as at present.

"For the same reason, it is necessary to fix the married exemption at $1,100, as compared with the present $624 exemption under the Victory Tax and the $1,200 exemption under the regular income tax. The $500 exemption for single persons and the $350 exemption for each dependent would not be changed under my bill.

"I believe it was a mistake to levy an income tax on a married man with a gross income of as little as $624 a year. From the revenue standpoint, the total tax paid by this group was not a very large percentage of the total."

This potential loss of revenue would be offset in part by the reduction of the married exemption under the regular income tax to $1,100 and the remainder by readjustments in the surtax rates.

In order to have a single tax base, Mr. Carlson said, it is necessary to abandon the so-called earned income credit provided by existing law. The pending $2,000,000,000-plus revenue bill contains a provision for repeal of this credit.

His simplification measure would make no change in the present 20% withholding against wages and salaries, although he said some adjustment may be necessary or desirable in any final legislation dealing with income tax readjustments, so as to eliminate overwithholding or underwithholding.

RFC Directors Renamed

President Roosevelt's reappointment of the five members of the Board of Directors of the Reconstruction Finance Corporation was confirmed by the Senate on Jan. 20. Those renamed to two-year terms, from Jan. 22, 1944, were: Charles T. Fisher Jr., Michigan; Charles B. Henderson, Nevada; Sam Husbands, South Carolina; Howard J. Klossner, Minnesota; Henry A. Mulligan, New York. The President reappointed them on Jan. 14.

From Washington

(Continued from first page)

shown action has been largely for the purpose of just that—showing action. It is what is known as "political action" designed, mainly, to quiet impatience and support the strategy of getting Hitler first. It is relatively just as costly as any other action. In other words, men are killed, planes and ships are lost. But insofar as crushing Japan is concerned, it has had ridiculously little bearing.

There are members of Congress who say feelingly that the whole Pacific enterprise, from the sordid business at Pearl Harbor, on Bataan and on down, will constitute one of the most damnable chapters in this nation's history. It will probably remain for the historians to determine just how much the responsibility for Pearl Harbor and Bataan revolved around Mr. Roosevelt's determination, not under any circumstances, to be diverted from what he considered to be the No. 1 enemy. Notwithstanding that it was Japan that attacked us, it was his point and in this he has been upheld, that Hitler was at the bottom of it. So, instead of going after the attacker, go after the higher-up, so to speak. There is no doubt either that Mr. Roosevelt in those days was actually fearful that Hitler, having no limitations, would come through Dakar, land in Brazil and march on us from there. When we consider the dread with which we are now, two years later, contemplating invasion across the English channel, these fears seem rather ridiculous. But they existed, as borne out by the dispersal of our troops that was made at the time. A correspondent returning from Britain only a few days ago, crossed over the Sahara desert. Looking down he saw what seemed to be a group of desert tribesmen. They were a battalion of American soldiers placed there to keep Hitler from coming at us through Dakar.

As time has moved on, there have been many misgivings in Congress over the all-out get Hitler first policy. These misgivings are increasing in the light of the present situation. No one would seriously contend that Hitler is a menace now. He's bottled up and fighting for his life. The theory is, of course, that one or two more blows may knock him out.

But in the meantime, the Japs have thousands of Americans in prison camps. American boys are fiddling around in the swamps and jungles, dying and rotting with disease and malaria, just as if they were in major engagements. There are always expert explanations of how this relative skirmish or that bears on the "periphery"; how we are gradually chipping it off. The atrocity stories make one wonder when we are to go after Japan and relieve the boys on whom the atrocities are being committed. So the Administration did not willingly put them out.

Heads WPB Division

Appointment of Arthur G. Eaton to be head of the Government Division of the War Production Board was announced Jan. 28 by Arthur D. Whiteside, WPB Vice-Chairman and Director of the Office of Civilian Requirements. The announcement said:

"Mr. Eaton succeeds Maury Maverick, now a WPB Vice Chairman and Chairman of the Smaller War Plants Corporation, who was the Government Division's first director.

"Joining the staff of WPB's predecessor, the Office of Production Management, in October, 1941, Mr. Eaton has most recently served as chief of the Hospitals, Schools and Institutions Branch of the division he now heads."

Mr. Eaton's business career has included positions as director of purchasing for Dodge Bros., Detroit, Mich., automobile manufacturers, and as a vice-president of Aluminum Industries, Inc., also of Detroit.

Reduction In Policy Loans By Life Policyholders Now At Lowest Ratio Of Total Loanable Values

Life insurance policyholders have reduced their policy loans to the lowest ratio of total loanable values since aggregate U. S. records have been kept, the Institute of Life Insurance reported on Jan. 27. The total of policy loans outstanding at the opening of the year, $2,350,000,000, represents a reduction of more than $1,000,000,000 in the past five years, in spite of an increase in that period of over $8,500,000,000 in total life insurance policyholder reserves, according to the Institute, which states that the ratio of loans to reserves is now about one-half that of five years ago. The Institute also says:

"The greatest annual reduction in policy loans was accomplished during the past year, the 1943 decrease being $330,000,000, although reserves increased nearly $2,400,000,000.

"Life insurance policy loans reached their peak in 1932, when they aggregated $3,805,000,000, or 21.3% of total reserves. During the depression, these loans proved of great aid to millions of families faced with financial emergencies. It was estimated that, during the first three depression years, 1930-32, American policyholders received approximately $2,400,000,000 in policy loans. Not only were many families able to carry themselves over the emergency with this aid, but many businesses were enabled to continue operations and maintain employment through loans on business insurance policies or personal policies of business men whose future was at stake.

"By the end of 1938, the last full year before the impact of the war in Europe, conditions had improved sufficiently to reduce the ratio of policy loans to total reserves to 13.8%, although the aggregate outstanding was still $3,389,000,000.

"The total in force at the end of this year represents only about 7% of total reserves, one-third the rate of 1932 and about one-half the rate of 1938. The aggregate is now $1,455,000,000 less than 1932 and $1,038,000,000 less than 1938."

The Institute also states that "the reduction in policy loans is as important an anti-inflation factor as are the new funds put into life insurance premiums or other forms of saving. The policyholders who pay off their policy loans effect an increase in their policy values, in the event of claims, by the amount of the loan reduction or repayment. Thus, there has been a $1,000,000,000 increase in policy values from this source alone in the past five years."

State Chamber Honors Retiring British Consul

Hope for continued cooperation between the United States and Great Britain in the post-war period to insure world peace was expressed on Jan. 18 by Sir Godfrey Haggard, retiring British Consul General in New York, at a farewell luncheon given by the Chamber of Commerce of the State of New York. "Our two countries have always joined forces and stood shoulder to shoulder against an aggressor who sought world domination," he said. "Although Britain and America have extended their territories, they have not been aggressors in that sense because wherever they have gone they have brought liberty and education and progress." He added:

"The closer friendship and deeper understanding which the war has wrought between our two countries is a guarantee that if another aggressor springs up in the post-war years, we will be able to avoid our Dunkirks and our Pearl Harbors. We know now that when we disagree as in the case of the League of Nations, for example, chaos and trouble all over the world follow."

Referring to the large force of American troops now in England, Sir Godfrey said that they gave both countries a better opportunity to understand and appreciate each other. Expressing the belief that his years of service in this country would enable him to interpret America to the British more clearly and sympathetically, he said:

"I will feel then that I am doing something worth while for the cause of Anglo-Americanism in return for the friendship and hospitality I have enjoyed in the United States."

Frederick E. Hasler, President of the Chamber, presided at the luncheon to Sir Godfrey which was attended by about 20 officials of banks, insurance companies and industrial corporations. In welcoming the guest of honor, Mr. Hasler paid a tribute to the British civil service for its ability to attract "men of such outstanding ability as Sir Godfrey," but said that it made a mistake in retiring them at the age of 60.

Other who spoke at the luncheon were: Willis H. Booth, Chairman of the Board of the Sierra Talc Co.; Richard W. Lawrence, President of the Bankers Commercial Corp., and George McAneny, Chairman of the Board of the Title Guarantee & Trust Co.

Francis E. Evans, who will succeed Sir Godfrey as Consul General next month, was one of the guests.

Thomson To Retire

Edward H. Thomson, President of the Federal Land Bank of Springfield (Mass.), has announced his intention to retire on July 15, next. In making this announcement, Mr. Thomson said:

"In electing the officers of the bank for 1944, I wish my name to be considered with the understanding that I be permitted to retire as of July 15, 1944, to devote my time to the fulfillment of some cherished ambitions which the unceasing pressure of bank work does not permit. July 16 of this year will be the 25th anniversary of my service as President."

The oldest in point of service of the 12 Land Bank Presidents, Mr. Thomson has worked under all Land Bank Commissioners. He has had an important part in the development of the system, nationwide, and for many years was Chairman of the Bond Committee of the Land Bank Presidents. He is a Director of the Massachusetts Mutual Life Insurance Co., the Springfield Fire and Marine Insurance Co., the Sentinel Fire Insurance Co., the New England Fire Insurance Co., the New England Casualty Co., and the Springfield Cooperative Bank. He is a Trustee of the Springfield Institution for Savings, the Eastern States Exposition, and the Wesson Memorial Hospital.

Eccles Reappointed

The Senate confirmed on Jan. 20 President Roosevelt's reappointment of Marriner S. Eccles as a member of the Board of Governors of the Federal Reserve System for a full 14-year term, from Feb. 1. Mr. Eccles is now Chairman of the Board, in which capacity he has served since, February, 1936. He was a member of the defunct Federal Reserve Board from November, 1934, until the new Board was created in January, 1936, in accordance with the Banking Act of 1935.

The President renominated Mr. Eccles on Jan. 12.

Federal Home Loan Bank Of New York Had Net Income Of $483,715 In 1943

Nugent Fallon, President of the Federal Home Loan Bank of New York, announced at the annual meeting of the stockholders on Jan. 27 that the bank's assets at the close of 1943 totaled $39,455,299, an increase of $2,563,170 for the year. He stated that the bank's gross income was $701,768 and the net income was $483,715, of which $250,851 was distributed as dividends, the U. S. Government receiving $189,632. "On Dec. 31, cash and Government obligations held by the bank stood at $22,375,215, or 56.7% of total resources, as compared with 35.3% of resources at the end of 1942," Mr. Fallon said.

The advices from the bank state that its capital at the close of the year was $25,293,600, an increase of $401,500 from the preceding year. Of this, member savings banks and savings and loan associations owned $6,330,400 and the U. S. Government owned $18,963,200. It is further indicated that advances to member institutions declined during the year from $23,760,930 to $16,942,057, indicating an effect of the decline of new construction and the reduced demand for mortgage money in the Second District, which includes the States of New York and New Jersey, as well as Puerto Rico and the Virgin Islands.

The bank's 362 members had assets at the year end of $638,333,117. Member assets showed an increase of 11% for the 12 months, according to Mr. Fallon's report. From the bank's announcement we also quote:

"Member institutions showed 18% of assets in cash and Government bonds, as against 12.7% one year earlier. Member holdings of Government bonds totaled $77,943,000, as against $38,947,000 at the close of 1942.

"The Federal Home Loan Bank of New York is one of 12 regional banks making up the Federal Home Loan Bank System. The 12 banks serve the 48 States, the District of Columbia and the Territories. Total assets of the Federal Home Loan Bank System are now $293,981,820. The banks constitute a reserve credit source for nearly 4,000 member institutions whose assets aggregate over $6,000,000,000. The members are savings and loan associations, savings banks and insurance companies.

"Three hundred stockholders from the States of New Jersey and New York attended the meeting."

Two-Thirds Of U. S. Army Overseas By Year-End

As present plans shape up, two-thirds of America's steadily growing Army will be at overseas stations by the end of this year, according to Associated Press accounts from Washington Jan. 27, appearing in the New York "Journal American," in which it was further stated:

"That was the word today from War Secretary Stimson as he announced plans for closing a number of domestic Army camps during the next few months, and the transfer to combat units of a substantial proportion of the soldiers now assigned to administrative duties.

"The overseas expansion program will double our forces abroad. As of the end of 1943, only about a third of the Army had been sent outside the country.

[With the Army's total strength estimated to be 7,700,000 men and officers next Dec. 31, the Army overseas would total more than 5,100,000, according to Secretary Stimson's statement, INS pointed out.]

"In addition a number of officers over 38, particularly those commissioned directly from civil life or in the National Guard and Reserve Corps, will be placed on the inactive list because 'no suitable assignments are available, or in prospect, either at domestic or overseas installations or establishments.'

"The readjustments were dictated generally by the progressive shift of Army operations from the defensive to the offensive, and by the growth of air power," said Mr. Stimson.

The Air Forces already have relinquished 69 or more establishments, and the ground forces have begun to close up some of their training camps and other facilities, including Pine Camp, N. Y.

Mr. Stimson announced the War Department has ordered physically qualified men in all branches of the Army who have a total of more than 12 months service at fixed stations or "overhead activities" in the United States to be reassigned to combat units "or mobile activities ultimately destined for overseas service."

WPB Regional Head

Appointment of Lewis S. Greenleaf, Jr., of New York, as Director of the New York Region of the War Production Board, was announced on Jan. 26 by Donald M. Nelson, WPB Chairman. Mr. Greenleaf, who has been Acting Regional Director since last November, became connected with the War Production Board, Washington, in March, 1942, as Chief of the Special Industrial Machinery Branch of the Office of Industry Operations.

The announcement from the WPB adds:

"On October 1, 1942, he became Assistant Deputy Director General for Industry Operations under Ernest Kanzler. In December, 1942, he became Director of the Consumers Durable Goods Division, which post he held until his appointment as Acting New York Regional Director last November.

"In private business Mr. Greenleaf was Assistant Secretary and Director of the Behr-Manning Corporation, Troy, N. Y., and Director of the Norton Company, Worcester, Mass."

Contends Stalin Helped Hitler Start War

Representative Jessie Sumner (Rep., Ill.) on Jan. 24 took Premier Joe Stalin apart, charging he had helped Hitler start this war which later "boomeranged" against Soviet Russia. This was reported on Jan. 25 by David Sentner, New York "Journal-American" correspondent at Washington. His dispatch further said:

She [Miss Sumner] further labeled the Moscow Conference as another Munich, defended so-called "isolationists" as those believing in the American principle of justice at home and abroad, and predicted that the next White House occupant would be the candidate who seems less likely to give the country away.

Rep. Sumner's exhortation came during the House debate on the bill to finance American participation in the United Nations Relief and Rehabilitation Administration to the extent of $1,350,000,000.

The UNRRA setup was assailed by opponents as a New Deal agency for a super-state in which Russia would benefit most and an attempt by the President to "by-pass" Congress in the making of treaties by Executive decree.

Rep. Sumner asserted the UNRRA Bill offered Stalin and his European political machine "the chance to sin all the sins ever committed in the name of charity."

Savings Banks Trust Has Record Business

August Ihlefeld, President of the Savings Banks Trust Co., which is completely owned by the savings banks in New York State, told stockholders at the annual meeting on Jan. 19 that the year's highly successful results reflected an increasing use of its facilities. Because savings banks placed on deposit with the trust company a record volume of funds, and because of war loan credits from their subscriptions to new Treasury offerings aggregating $1,262,503,500, the savings banks in New York State received the largest amount of interest and the highest dividends in the company's ten-year history, said the Jan. 19 announcement, which also had the following to say:

"Net profits after taxes were $2,028,755 or the equivalent of $81.15 per share for 1943. This compares with profits of $580,024 or $23.20 per share for 1942. Interest on time deposits amounted to $1,482,000 and dividends paid to the stockholding banks during the year included the regular dividend of $8.00 per share plus a $16.00 extra dividend.

"Earning assets at the year-end consisted entirely of United States Government obligations totaling $489,851,379 carried at cost or par value, whichever is lower. Of these securities, 72% matures within one year.

"Total deposits of $517,115,339 were a year-end high record, and the liquidity ratio of cash and Government securities to total deposits stood at the high figure of 107%."

In commenting on the trust company's services, Mr. Ihlefeld reported that the bank had handled subscriptions of over $1,262,000,000 in various Government issues for the savings banks. At the same time demand for other services showed a substantial increase. As custodian for savings banks' securities, the bank had shown an increase in the past year of over 40%.

It is announced that the company now provides investment information service to 97 banks with portfolios amounting to approximately $2,225,000,000, and, with the Savings Bank Uniform Money Order becoming increasingly attractive, the trust company cleared for the savings banks about 326,000 money orders for an aggregate of over $8,280,000, an average of over 1,000 per day.

In his announcement Mr. Ihlefeld said:

"In the field of research, which has taken on added importance in planning for the post-war period, the primary effort of our Research Department has been devoted to the analysis of mortgage lending areas throughout the United States on behalf of Institutional Securities Corporation. Field studies were made in Charleston, (S. C.), Savannah, Atlanta, Mobile, Lake Charles (La.), in Houston, Cleveland. Knoxville, and the Tennessee Valley. Basic economic trends are studied in such areas, with a view to selecting mortgage investments which will be sound after the war." He added:

"A comprehensive statistical and tabulating job is underway relative to these and other cities, which when completed will afford detailed information relative to the economic and housing background of the 140 metropolitan districts of the United States.

"For the Savings Banks Association Committee on Post-war Planning and Reconstruction a study was made of the post-war plans which eighteen agencies and committees have under consideration for the New York metropolitan area. On behalf of a committee of the Auditors and Comptrollers Forum a study was made of the relative costs of various methods of paying dividends and the factors responsible for variations from bank to bank.

"This information is essential if we are to fulfill our role in the post-war economy."

The following directors were elected at the annual meeting: Dexter P. Rumsey, President Erie County Savings Bank; Roy C. Van Denbergh, President Savings Bank of Utica; Frank L. Gardner, President The Poughkeepsie Savings Bank; Robert L. Hoguet, President Emigrant Industrial Savings Bank New York City; Barnard F. Hogan, President The Greater New York Savings Bank; Elliott M. Eldredge, President Williamsburgh Savings Bank, Brooklyn

Savs.-Loan Associations In '43 Again Disbursed Over $1,000,000,000 For Home Lending

For the fourth consecutive year the savings and loan associations and cooperative banks in 1943 lent upwards of $1,000,000,000 on homes, the United States Savings and Loan League said on Jan. 22. On the basis of figures reported at more than 2,000 annual meetings of these institutions' shareholders during the week ended Jan. 22, and data for the first ten months of the year collected by the Federal Home Loan Bank System, the League concludes that last year saw a greater volume of new loans made than did the previous year.

The great middle part of the country, the Southwest, and the West Coast were the scenes of the most noteworthy increases in volume of loans over 1942, it is pointed out by Morton Bodfish, Executive Vice-President of the United States Savings and Loan League. Since the major part of the 1943 volume of loans was for purchase of homes, it is deduced that the geographical distribution of the increases reflects particularly active markets for residences in those areas.

The League also states:

"In the last four years, each of which has seen the savings and loan institutions disbursing more than $1,000,000,000, this group of home lenders has assisted some 1,860,000 families to build, buy, remodel or refinance a home", he said. "Except for the great home building decade of the 1920's, no previous four-year period has seen so many new families borrowing from the savings and loan institutions. Their new borrowers for the four-year period 1940-1943 were just about as numerous as those for the previous five-year period."

President Creates War Refugee Board

President Roosevelt set up by Executive Order on Jan. 22 a War Refugee Board "to take action for the immediate rescue from the Nazis of as many as possible of the persecuted minorities of Europe, racial, religious or political, all civilian victims of enemy savagery."

The Board consists of Secretary of State Hull, Secretary of the Treasury Morgenthau and Secretary of War Stimson and will also have an Executive Director.

In the preamble of the Exeutive Order, the following was stated:

"It is the policy of this Government to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death and otherwse to afford such victims all possible relief and assistance consistent with the successful prosecution of the war."

In Washington advices of Jan. 22 to the New York "Times," it was stated:

A White House statement said that while the President "would look directly to the Board for the successful execution of this policy, the Board, of course, would cooperate fully with the Inter-Governmental Committee, the United Nations Relief and Rehabilitation Administration and other interested international organizations."

More than being an isolated American move, the President said that he expected to obtain the cooperation of the United Nations and other foreign governments in carrying out what the White House called "this difficult but important task."

The President stressed, said the White House statement, "that it was urgent that action be taken at once to forestall the plan of the Nazis to exterminate all the Jews and other persecuted minorities in Europe."

The President's order said that the functions of the new Board "shall include, without limitation, the development of plans and programs and the inauguration of effective measures for (a) the rescue, transportation, maintenance and relief of the victims of enemy oppression, and (b) the establishment of havens of temporary refuge for such victims."

It said also that the State Department shall appoint "special attaches with diplomatic status" on the recommendations of the Board, and that these shall be "stationed abroad in places where it is likely that assistance can be rendered to war refugees."

"The Board and the State, Treasury and War Departments are authorized to accept the services or contributions of any private persons, private organizations, State agencies or agencies of foreign governments in carrying out the purposes of this order," the President directed.

NYSE Special Offerings Plan Extended to Bonds

The Securities and Exchange Commission on Jan. 26, declared effective an amended plan of special offerings recently adopted by the Board of Governors of the New York Stock Exchange. An announcement regarding this addressed to members and member firms of the Exchange states:

"The purpose and intent of the amendments is to make the plan apply to bonds as well as to stocks. Hereafter the Stock Exchange may approve special offerings in blocks of bonds provided they are of not less than $15,000 principal amount with an aggregate market value of $10,000. The special commission on such offerings in bonds shall not exceed 2½% of the selling price.

"Rule 492 (c) provides in part that unless otherwise specifically exempted by the Exchange, every special offering shall remain open for a minimum period of 15 minutes. An exemption from this minimum requirement is specifically given to any offering which has been announced on the New York Stock Exchange ticker tape at least one hour before the offering becomes effective. An offering so exempted from the minimum 15 minute requirement shall not be closed without the approval of the Exchange."

Chase Invites Tenders On Bonds Of New South Wales

The Chase National Bank of the City of New York is inviting tenders for the sale to it of an amount of State of New South Wales, Australia, external 30-year 5% sinking fund gold bonds due Feb. 1, 1957, sufficient to exhaust the sum of $241,236.36. Tenders will be accepted at prices not exceeding par and accrued interest and will be opened at 12 o'clock noon on Feb. 8, 1944, at the corporate trust department of the bank, 11 Broad Street, New York.

High Court Will Not Review Decision Wage Act Does Not Apply To Newspaper Distributors

On Jan. 17 the United States Supreme Court refused to review a decision that the Federal Wage-Hour Act does not apply to persons engaged in distributing newspapers from the newspaper office to local newspaper racks. Associated Press accounts from Washington reporting this, said:

"That question was presented by three persons who were engaged in distributing the Baltimore "Sun" papers until the rack system was abandoned in January, 1942.

"The trio — Fred Schroepfer, Charles R. Schroepfer and Abraham Berry—contended they were entitled to overtime compensation from Oct. 25, 1938, the date the act became effective, until Jan. 19, 1942.

"The Fourth Federal Circuit Court ruled the men had not been engaged in interstate commerce and hence were not covered by the act."

The question was brought before the Supreme Court for decision on Dec. 17, and that action was noted in our issue of Jan. 27, page 431.

FCC Not To Bar Radio Stations' Sale To Papers

The Federal Communications Commission voted unanimously Jan. 13 against any general rule discriminating against newspapers in acquiring radio stations, but said it would "not permit concentration of control in the hands of the few to the exclusion of the many who may be equally well qualified."

The decision was generally interpreted as meaning that while newspaper ownership is no bar, this factor would receive consideration in the event the Commission found two applicants for a station to be equally qualified.

In some decisions the Commission has followed such a policy, awarding the license to a non-newspaper applicant when it deemed other factors to be substantially equal.

Ending a long deadlock within the Commission over its report, the Commission decided "in the light of the record . . . and of the grave legal and policy questions involved" not to adopt any general rule regarding newspaper applications.

"Aside from the specific question of common ownership of newspapers and radio stations," the FCC said, "the Commission recognizes the serious problem involved in the broader field of the control of media of mass communications and the importance of avoiding monopoly of the avenues of communicating fact and opinion to the public.

"All the commissioners agree to the general principle that diversification of control of such media is desirable. The Commission does not desire to discourage legally qualified persons from applying for licenses, but does desire to encourage the maximum number of qualified persons to enter the field of mass communications and to permit them to use all modern inventions and improvements in the art to insure good public service."

"The Commission does not feel that it should deny a license merely because the applicant is engaged or interested in a particular type of business," the statement said.

The decision to close out the long proceedings was in accordance with a stand taken by Commissioner T. A. M. Craven.

In New York Harold V. Hough, Chairman of the newspaper-radio committee which met Jan. 14, said the FCC, "in dismissing the discriminatory order 79 and 79-A against newspapers and radio, has acted wisely. We observe that they are referring the matter to the Congress. We have felt all along that the proper place for the whole proceeding was with the Congress, and we are glad it is there."

Grace Bank Joins N. Y. Clearing House

At a meeting of the members of the New York Clearing House Association on Jan. 17, the Grace National Bank of New York was admitted to membership in the Association.

The bank's clearing number will be 132, this indicating the number of members which have been admitted since the Clearing House war organized in 1853.

In commenting on the action, Chester R. Dewey, President of the Grace National Bank, stated:

"Since our bank has always complied with the rules and practices established by the Clearing House banks, we feel that membership in the Association is a natural move in that we are associating ourselves with other banks of like ideas and similar aims. Particularly because of our close affiliation with international trade, and especially that of Latin America, we believe that the banks have a great responsibility and an important part to play in post-war developments. Since the Clearing House offers the best medium through which the banks of this city may function in discharging that responsibility, we are happy to identify ourselves with it."

The Grace bank is the fifth new member of the Clearing House in the last 2½ months. On Oct. 29, J. P. Morgan & Co., Inc., was admitted to membership, followed by the United States Trust Co. on Nov. 29, the Brooklyn Trust Co. on Dec. 13 and the Lawyers Trust Co. on Dec. 27.

Inter-American Safety Council Officers

The Inter-American Safety Council, Inc., organized to promote public and industrial safety in the Latin-American countries, elected on Jan. 20 the following new officers: President, Joseph T. Wilson, manager, world trade division, International Business Machines Corporation, and Assistant Secretary, C. de Groot, Pan American Airways, Inc. The following officers were reelected: Vice Presidents, John W. White, Westinghouse Electric International Co. and H. P. Harrsen, Cia Panamena de Fuerza y Luz; Treasurer, W. B. Stafford, American & Foreign Power Co.; Assistant Treasurer, J. C. Kemp, John C. Kemp, Inc.; Secretary, R. O. Jacobson, Pan American Airways, Inc.; Counsellor, F. F. Vaughan, Cia Auxiliar Empresas Electricas Brasileiras.

The following directors were also reelected: Col. John Stillwell, Consolidated Edison Co. Inc. and President of the National Safety Council; James S. Carson, Vice-President, American & Foreign Power Co.; R. A. Hummel, President, Lone Star Cement Corp.; F. D. Mahoney, President, Cia Cubana de Electricidad; C. M. Mense, President, Lehigh Safety Shoe Co.; H. J. Segrave, Mine Safety Appliances Co.; E. E. Moore, Ebasco International Corp.; C. W. Hamilton, Vice-President, Gulf Oil Corp.; W. B. Van Dyck, International General Electric Co.; Burr Wheeler, Chile Exploration Co.

High Court Declines To Act In Dispute Over State Political Office

The U. S. Supreme Court refused on Jan. 17 to consider within Federal Court jurisdiction a State's political rights question. The case involved Joseph E. Snowden, a Negro of Chicago, who sued Illinois election officials for $50,000 for failure to certify him as a Republican primary nominee for the State Legislature. Mr. Snowden alleged that failure to put his name on a ballot deprived him of his constitutional rights, privileges and immunities and of the equal protection of the laws. Chief Justice Harlan F. Stone, however, said in a 7-to-2 opinion, that the Constitution had not been infringed.

In Washington advices of Jan. 17 to the New York "Times," it was further reported:

The Canvassing Board of Cook County, it was stated, found that Mr. Snowden had received the second highest number of votes for one of two Republican nominees for Representative from the Third Senatorial District, but the State Primary Canvassing Committee "excluded" his name from the ticket.

Chief Justice Stone, saying that Mr. Snowden's constitutional rights were not affected by the action of the State Board, said:

"More than 40 years ago this court determined that an unlawful denial by State action of a right to State political office is not a denial of property or of liberty secured by the due process clause. Only once since has this court had occasion to consider the subject and it then reaffirmed that conclusion, as we reaffirm it now."

Mr. Stone said that where discrimination was sufficiently shown, the right to relief under the equal-protection clause of the Constitution was not diminished because the matter dealt with political rights.

"But," he added, "the necessity of showing of purposeful discrimination is no less in a case involving political rights than in any other. It was not intended by the Fourteenth Amendment and the Civil Rights Act that all matters formerly within the exclusive cognizance of the States should become matters of national concern.

"A construction of the equal-protection clause which would find a violation of Federal right in every departure by State officers from State law is not to be favored."

Mr. Stone noted that in the Supreme Court argument Mr. Snowden "disclaimed any contention that class or racial discrimination is involved," but merely said that his constitutional right to protection had been violated.

Justices William O. Douglas and Frank Murphy dissented.

Agency Service Corp. Formed In Chicago

Earl E. Sproul, well known in advertising and merchandising circles, has resigned as Vice-President of Western Newspaper Union and its affiliated Publishers' Auxiliary, and announces the formation of the Agency Service Corp. with offices at 105 West Monroe Street, Chicago. Mr. Sproul's contact with agencies, advertisers and publishers extends from coast to coast. The new agency was opened Feb. 1, to handle advertising and public relations programs.

Deferment Of Farm Workers Dependent On Amount Of Individual Production

The 1,700,000 deferred farm workers, especially the young bachelors, were advised by a draft official at Chicago on Jan. 27 that they might be called for military duty unless they produced substantial shares of the nation's food supply. This is learned from Associated Press advices from Chicago, which further stated:

"Reporting that about 1,000,000 deferred farm workers were not fathers and that about 400,000 were under 22, Comdr. Patrick H. Winston, Assistant Executive of National Selective Service headquarters, stated:

"'Non-fathers and young men cannot be left on the farm while fathers take their places in the armed forces unless such registrants by their own efforts are producing food in such a substantial amount as to justify their deferment.'

"He related that industry had been told to prepare to make young and single registrants available for induction, and said:

"'We can ill-afford to further defer farm registrants whose production does not substantially exceed their own family consumption and add to the nation's food supply.'

"Late in 1942 the Selective Service devised a yardstick of farm activity in terms of 'war units' and set an individual 16-unit objective as a guide for agricultural classification.

"Commander Winston, speaking before the National Council of Private Motor Truck Owners. Inc., said that some registrants had been deferred although they were credited with as few as eight war units of production. He suggested that in the coming agricultural season 16 war units might become 'the minimum of individual activity.'"

SEC Releases On Independence Of Certifying Accountants

The Securities and Exchange Commission announced on Jan. 25 the publication of an additional release in its Accounting Series dealing with the independence of certifying accountants. With respect thereto the SEC said:

"Various statutes administered by the Securities and Exchange Commission recognize the necessity of independence on the part of an accountant who certifies financial statements. In administering these Acts the Commission has consistently held that the question of independence is one of fact, to be determined in the light of all the pertinent circumstances in a particular case. For this reason it has not been practicable, and the Commission has made no attempt, to catalog all of the relationships or situations that might prevent an accountant from being independent. However, in Rule 2-01 (b) of Regulation S-X the Commission has indicated certain relationships such as those of officer, director, or employee which it believes are so likely to prevent a completely objective review of the financial statements of a registrant as to preclude its recognizing an accountant occupying such a position as independent.

"In addition to summarizing past releases of the Commission on the question of independence, the new release includes a compilation of hitherto unpublished rulings in cases or inquiries arising under the Securities Act of 1933, the Securities Exchange Act of 1934, or the Investment Company Act of 1940. Preparation of this compilation, announced in Accounting Series Release No. 44, was undertaken as a result of a suggestion by representatives of professional accounting societies that knowledge of informal rulings would be of particular assistance to accountants and others interested in determining the circumstances under which a certifying accountant is likely to be considered to be not in fact independent."

N. Y. Community Trust Has Composite Fund

Creation of the Community Trust Composite Fund for the aggregation and administration of charitable gifts of smaller size than those usually acceptable as separate trust funds, was announced on Jan. 23 by the New York Community Trust. The new Composite Fund is in the form of an "open-end" account to which successive contributors may make additions for charitable purposes on uniform terms stated in identical letters of transmission accompanying each donation. Other funds of the Community Trust are administered as individual units. The Chase National Bank has agreed to act as trustee of the initial group of gifts to the Composite Fund. Additional units may later be instituted in the custody of other trustees of the Community Trust.

For the present it is planned to accept trusteed contributions of $1,000 or more for use in furtherance of the broad charitable objectives of the New York Community Trust, without preferential designation by the contributor for specific charitable purposes. Maintenance of the Composite Fund will not alter the form of administration of other funds utilizing the mechanism of the Community Trust.

Wants Pulp Workers Declared Essential

A bill designed to assure a continued supply of pulpwood to the paper mills of the country has been introduced in the House by Representative Philbin (Dem., Mass.) and referred to the House Military Affairs Committee. The bill seeks deferments for workers engaged in timber or pulpwood and logging operations by amending the Selective Training and Service Act. Mr. Philbin fears that unless the manpower shortage in the logging industry is relieved at once, very serious consequences will ensue. As to his bill Mr. Philbin says that "unless this or some similar relief is speedily given, I am very much afraid that our pulpwood, paper and newsprint supply will be even more critically reduced, and thousands of loyal employees in many of our communities thrown out of work."

Rep. Philbin proposed two remedies, in addition to legislation he is sponsoring to have woods labor classified as essential, to help clear up the pulp shortage:

1. Lifting of what amounts to an embargo on the export of logs from Canada to the United States. He said he was seeking the intervention of Secretary Hull and the State Department to make possible a decided increase of pulp logs to our domestic industry.

2. Making badly needed equipment available to produce pulp wood in the Pacific Northwest, which has been diverted to other uses. He indicated that he is taking this particular matter up further with WPB officials.

Civil Engineering Construction $33,241,000 For Week—Volume Tops Week Ago By 30%

Civil engineering construction volume in continental U. S. totals $33,241,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 30% higher than in the preceding week, but is 20% under the volume reported for the corresponding 1943 week by **Engineering News-Record** on Jan. 27, which went on to say:

Private construction is 65% above last week, and gains 86% over last year. Public construction is up 23% compared with a year ago, but down 32% from a year ago.

The current week's construction brings 1944 volume to $179,018,000 for the four-week period, a decrease of 21% from the $226,826,000 for the period in 1943. Private work, $24,356,000, is 57% higher than in 1943, but public construction, $154,662,000, is 27% lower as a result of the 37% decline in state and municipal work, and the 26% decrease in Federal.

Civil engineering construction volumes for the 1943 week, last week, and the current week, are:

	Jan. 28, '43	Jan. 20, '44	Jan. 27, '44
Total U. S. Construction	$41,855,000	$25,500,000	$33,241,000
Private Construction	4,018,000	4,542,000	7,486,000
Public Construction	37,837,000	20,958,000	25,755,000
State and Municipal	1,349,000	1,095,000	3,379,000
Federal	36,488,000	19,863,000	22,376,000

In the classified construction groups, gains over a week ago are in sewerage, bridges, commercial buildings, earthwork and drainage, streets and roads, and unclassified construction. Increases over the 1943 week are in sewerage, bridges, commercial buildings, earthwork and drainage, and unclassified construction. Sub-totals for the week in each class of construction are: waterworks, $356,000; sewerage, $597,000; bridges, $372,000; industrial buildings, $975,000; commercial building and large-scale private housing, $6,295,000; public buildings, $13,312,000; earthwork and drainage, $1,751,000; streets and roads, $1,260,000; and unclassified construction, $8,323,000.

New capital for construction purposes for the week totals $3,376,000, an increase of 136% over the volume reported a year ago. The week's new financing is made up of $325,000 in State and municipal bond sales, $876,000 in corporate security issues, and $2,175,000 in RFC loans for private industrial improvements.

New construction financing for the year to date, $147,172,000, compares with $4,498,000 for the four-week 1943 period.

National Fertilizer Association Price Index Continues To Advance

The weekly wholesale commodity price index, compiled by the National Fertilizer Association and made public on Jan. 31, advanced to 137.2 in the week ending Jan. 29 from 137.0 in the preceding week. A month ago this index stood at 136.5 and a year ago at 134.0, based on the 1935-1939 average as 100. The Association's report continued as follows:

The fractional advance in the all-commodity index was due principally to higher quotations in the farm products group. The slight increase in the price of rye was not sufficient to change the grains group. The livestock group advanced due to higher quotations for hogs and lambs even though good cattle and calves declined slightly. The foods group continued to advance as higher prices for eggs were more than sufficient to offset lower quotations for potatoes. An increase in the textile index was the result of an advance in raw cotton. During the week none of the group averages in the composite index declined.

During the week six price series in the index advanced and three declined; in the preceding week seven advancd and two declined; and in the second preceding week five advanced and five declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jan. 29, 1944	Preceding Week Jan. 22, 1944	Month Ago Jan. 1, 1944	Year Ago Jan 30, 1943
25.3	Foods	140.2	139.9	139.8	137.8
	Fats and Oils	146.1	146.1	146.4	148.5
	Cottonseed Oil	159.6	159.6	160.7	159.0
23.0	Farm Products	156.1	155.2	154.7	150.9
	Cotton	193.1	191.4	189.8	194.6
	Grains	164.8	164.8	165.5	133.4
	Livestock	147.6	146.4	145.8	148.1
17.3	Fuels	129.5	129.5	127.6	120.0
10.8	Miscellaneous commodities	131.4	131.4	131.4	129.0
8.2	Textiles	150.9	150.6	150.4	150.4
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.4	152.4	152.4	151.6
1.3	Chemicals and drugs	127.7	127.7	127.7	127.6
.3	Fertilizer materials	117.7	117.7	117.7	117.6
.3	Fertilizers	119.9	119.9	119.8	119.1
.3	Farm machinery	104.2	104.2	104.2	104.1
100.0	All groups combined	137.2	137.0	136.5	134.0

*Indexes on 1926-1928 base were: Jan. 29, 1944, 106.9; Jan. 22, 106.7; and Jan. 30, 1943, 104.4.

Steel Operation Again Increased—Buying Resumed After Lull—Additional Cutbacks

"Stronger steel production, typical of the high tempo centering upon the making of invasion equipment, is the feature of this week on the domestic war front," states "The Iron Age" in its issue of today (Feb. 3), which further goes on to say: "The current jump of one-half point is the fifth consecutive gain in steel ingot output, the total movement since Jan. 1 being about two points.

"With continued heavy demand likely for landing craft, many steel makers are more inclined than ever to doubt that important relaxations in civilian controls which would involve large tonnages can occur until after a well-established foothold has been gained in Europe. But at the same time, in other parts of the metal producing and metal using industries, there have been additional cutbacks and new evidences of post-war thinking.

"Conservation policies which have been stressed so vigorously in the aircraft industry since the war began, in order to save critical materials, are going into reverse now that metals are more plentiful. The Operating Committee on Aircraft Materials Conservation points out that copper base alloy sheet and strip are in better supply because of cutbacks in the small arms program. Reversions are suggested. New uses for aluminum other than forgings and castings are encouraged. It is also pointed out that magnesium for other than forgings is available, while ferro-alloys, zinc and beryllium-copper are easier.

"Producers of the light metals are urging large tonnage usage through a wide range of industries and some Government officials are considering 'substantial' programs. Meanwhile, the closing of three more aluminum production lines was announced this week.

"Market trends in steel indicate that the tightest products still are plates, sheets, certain structurals and pipe. Demand for ingots and semi-finished steel for sale is off considerably from a few months ago. Cold finished bar demand has picked up recently due to war requirements. It is reported that WPB may raise the quota on galvanized sheet production, permitting some mills to re-enter the business and that a large mail order house has applied for permission to stock galvanized sheets.

"Tin plate production during the third quarter, because of recent revisions is M-81, is expected to top second quarter output, which may run around 750,000 tons of tin mill products. It is understood that the sheet situation has been further tightened recently by definite increases in the landing mat program. Previous estimates, before the increase, amounted to about 1,100,000 tons for 1944.

"Other highlights include two major moves of the WPB which seem to indicate that the stockpiling of critical materials may be tapered; the cutback of 741 locomotives in the Army's requirements, new evidences as to the adequacy of pig iron supplies; and moderate relaxation of some curbs on the use of iron and steel for auto parts and small tonnage items.

"Makers of farm equipment, competing against war goods firms for vital components, are lagging slightly behind their timetable but hope to get back on schedule before the June 30 deadline which customarily marks the end of the farm machinery production year. The industry has been allotted and has placed orders for 974,000 tons of steel covering the periods from last July to next April."

The American Iron and Steel Institute on Jan. 31 announced that telegraphic reports it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 99.8% of capacity for the week beginning Jan. 31, compared with 99.4% one week ago, 95.9% one month ago and 98.3% one year ago. The operating rate for the week beginning Jan. 31 is equivalent to 1,734,800 tons of steel ingots and castings, compared to 1,727,900 tons one week ago, 1,667,000 tons one month ago, and 1,702,100 tons one year ago.

"Steel," of Cleveland, in its summary of the iron and steel markets on, Jan. 31 stated in part as follows:

"While some easing of restrictions on use of steel for civilian production has been evident in recent weeks the disposition in Washington now appears to be caution in allowing further releases until after the European invasion has started and better appraisal can be made of subsequent war needs, in materials and manpower.

"After the decided drop resulting from a major shift in armament the market is reasserting its fundamental strength and orders again exceed production, deliveries being further deferred. With War Production Board insisting that war requirements in 1944 will exceed those of 1943 it appears that any easing now apparent is temporary, pending formulation of programs and placing of steel for their execution.

"Some tin plate producers are hopeful this year will see output of 3,000,000 tons, based on the assumption that last half will duplicate output of the first period. Current production is at about 50% of capacity, sufficient to meet quotas, electrolytic lines are at about 70%.

"Alloy steel production in 1943 totaled 13,116,000 net tons, 14% above the 11,526,000 tons made in 1942. March was the peak month, with 1,284,000 tons, later months showing a steady recession. Of the total, open-hearth furnaces produced 70%, the remainder coming from electric and crucible furnaces.

"For the sixth consecutive year pig iron production in 1943 set a new record with a total of 61,777,296 net tons, compared with 59,861,047 tons in 1942, including ferromanganese and spiegeleisen. December pig iron production was 5,139,541 tons, with ferromanganese and spiegeleisen 73,605 tons, making a total of 5,213,146 tons. December output was at an average of 95.6% of capacity and the year's production averaged 96.4%.

"Consumption of Lake Superior iron ore in the United States and Canada in 1943 set a new record at 89,027,689 gross tons, compared with 86,225,460 tons in 1942. As of Jan. 1, 1944, ore at furnaces and on Lake Erie docks totaled 43,428,641 tons, compared with 47,424,421 tons a year earlier, a result of the smaller tonnage moved during the 1943 season. Consumption in December was 7,509,096 tons, compared with 7,409,213 tons in the shorter November, and 7,759,366 tons in December, 1942.

"Office of Price Administration has raised prices of by-product and retort gas coke 50 cents per ton in the eastern area, to compensate for higher prices of labor and coal, the first increase for eastern producers since price control was instituted in 1941.

"Pig iron and scrap are in the easiest position for months, supply being enough to meet all demands and melters are buying only as need arises."

Alloy Steel Output Set Record In 1943

Production of alloy steels in the United States during 1943 reached the record-breaking total of 13,116,000 tons of ingots and castings, according to preliminary reports compiled by the American Iron and Steel Institute, which further add:

The 1943 total was nearly 14% above the previous record of 11,526,000 tons of alloy steel produced in 1942 and is more than four times production in 1939.

The peak month for alloy steel production during 1943 came in March when 1,284,000 tons of alloy steel were produced. Since that month, almost without interruption, alloy steel production declined, reflecting decreased demand.

In December, production of alloy steels amounted to 799,000 tons which compares with 1,185,000 tons in the same month in 1942. Some part of the decline in the December 1943 figure was caused by strikes at various steel plants.

Of the total tonnage of alloy steel output in 1943, open hearth furnaces produced 70% or 9,221,000 tons. About 30%, or 3,895,000 tons were produced in electric and crucible furnaces.

That same ration of open hearth to electric furnace alloy steel production prevailed in 1942. Before the war, however, open hearth furnaces produced as much as 75% of the total alloy steel tonage.

Raising Men For Business

(Continued from first page)

heritage—comes from what we eat, drink and breathe. This means that the soil in which our food and fruit are raised is of great importance in determining our health, intelligence and character.

Why do the best trotting horses come from Kentucky? The answer is in the soil, and this applies only to certain small sections. Why have the best brains grown in certain valleys of New England, New York State, Pennsylvania and Virginia? The answer is that the soils of these valleys—washed down during the centuries from rocky hills—contain the needed minerals to make the best brains. I have especially in mind potassium, phosphorus, iron, iodine, calcium and magnesium. If you doubt me, ask the publishers of "Who's Who" to give you their opinion on this subject.

The third factor of the mineral content of the soil, including the treatment of the soil, is now very seldom discussed. The Department of Agriculture has avoided reporting on it because it is a "hot potato loaded with dynamite." However, it is of prime importance to every family planning to live on the products of its own land. Furthermore, the time is coming when vegetables and fruits will be sold under the Pure Food and Drug Act according to their mineral content, whether sold fresh, canned or dehydrated. Some beans may be cheap at $10 per bushel, while other beans, which appear just the same, may be worth only $1.50 per bushel and good only to eat for bulkage. Hence, by all means consider this mineral content, needed for brains and character, when buying land. If you cannot afford to consult a high-class soil expert, **go to the nearest graveyard, study the headstones and see how long the people lived.**

Why Germany Is Hard to Lick

I pass on just one more thought for readers to ponder over. It is this: Some years ago when I was in Switzerland making a study for the New York "Times," a Swiss scientist said to me: "Europe will always have trouble with those Prussians. There is something in the soil of Prussia which grows people with that fighting instinct. European peace is unalterably linked up with the minerals of the soil. Permanent peace in Europe will come about only by systematically moving people about. That is the only way physical, economic and spiritual opportunities can be equalized."

Certainly, there is a relation between soil and fatigue. For a scientific study of fatigue, send 10 cents to the Medical Journal and Record Publishing Co., 667 Madison Avenue, New York City, for Dr. Max B. Gerson's article published in the "Medical Record" of June, 1943.

P.S.—Churchill believes in the importance of soil. This is why England will try to take Belgium, Holland and the other Low Countries into the British Commonwealth and is willing to leave Austria, Czechoslovakia and the Baltic States to Stalin.

Named To Hotel Group

Royal W. Ryan, Director of Sales and Advertising of the Hotel New Yorker, has been appointed Program Chairman of the 1944 Post-War Planning Conference of the National Hotel Sales Managers Association by Clayton Hicks, National President of the NHSMA. In preparing the tentative program for the Conference, which will be held in June of this year, city as yet undecided, Mr. Ryan proposed that all attention at present should be directed toward promotion of business for hotels in the post-war period.

Daily Average Crude Oil Production For Week Ended Jan. 22, 1944 Increased 16,650 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Jan. 22, 1944 was 4,389,200 barrels or 16,650 barrels per day more than produced in the previous week and 540,200 barrels per day more than recorded for the week ended Jan. 23, 1943. However, the current figure is 40,400 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of January, 1944. Daily output for the four weeks ended Jan. 22, 1944 averaged 4,370,950 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,368,000 barrels of crude oil daily and produced 12,945,000 barrels of gasoline; 1,711,000 barrels of kerosine; 4,334,000 barrels of distillate fuel oil, and 9,041,000 barrels of residual fuel oil during the week ended Jan. 22, 1944; and had in storage at the end of that week 79,763,000 barrels of gasoline; 8,683,000 barrels of kerosine; 38,296,000 barrels of distillate fuel, and 53,431,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations January	*State Allowables Begin. Jan. 1,	Actual Production Week Ended Jan. 22, 1944	Change from Week Previous	4 Weeks Ended 1944 Jan. 22,	Week Ended 1943 Jan. 23,
Oklahoma	328,000	325,000	†329,800	+11,000	326,950	346,650
Kansas	285,000	269,400	†281,050	+ 7,450	271,600	307,500
Nebraska	1,300	----	†1,500	+ 200	1,450	2,450
Panhandle Texas			97,900	----	97,050	88,400
North Texas			140,200	----	141,000	136,700
West Texas			364,600	----	362,150	201,100
East Central Texas			116,400	----	119,000	101,600
East Texas			366,200	----	366,650	327,600
Southwest Texas			293,550	----	292,850	166,700
Coastal Texas			520,800	----	520,750	308,800
Total Texas	1,892,000	‡1,909,526	1,899,650	----	1,899,450	1,330,900
North Louisiana			77,500	+ 200	77,700	90,500
Coastal Louisiana			280,000	----	279,550	247,700
Total Louisiana	343,700	368,200	358,400	+ 200	357,250	338,200
Arkansas	76,900	77,891	78,400	— 1,300	79,250	75,050
Mississippi	48,000		45,700	— 1,050	46,200	57,500
Illinois	215,000		204,700	— 2,100	207,750	240,050
Indiana	14,400		12,650	+ 500	12,400	14,350
Eastern—(Not incl. Ill., Ind., Ky.)	73,900		71,300	+ 2,150	70,050	73,900
Kentucky	26,000		22,450	— 1,100	22,450	16,300
Michigan	56,000		51,600	— 5,500	49,750	58,900
Wyoming	100,000		90,600	+ 2,800	88,450	85,300
Montana	23,500		21,100	----	20,900	22,450
Colorado	7,000		7,500	— 300	7,600	6,400
New Mexico	110,600	110,600	113,100	+ 200	112,950	98,300
Total East of Calif.	3,601,300		3,589,500	+13,150	3,574,450	3,074,200
California	828,300	§828,300	799,700	+ 3,500	796,500	774,800
Total United States	4,429,600		4,389,200	+16,650	4,370,950	3,849,000

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivities to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a. m. Jan. 20, 1944.

‡This is the net basic allowable as of Jan. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 14 days, the entire state was ordered shut down for 8 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 8 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JAN. 22, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and Inland Texas	2,448	89.5	2,120	86.6	6,037	36,039	19,373	15,535
Appalachian—								
District No. 1	130	83.9	99	76.2	361	1,860	850	157
District No. 2	47	87.2	50	106.4	173	1,113	68	176
Ind., Ill., Ky.	824	85.2	789	95.8	2,691	16,456	5,531	3,141
Okla., Kans., Mo.	416	80.1	377	90.6	1,273	7,494	1,753	1,086
Rocky Mountain—								
District No. 3	8	26.9	11	137.5	33	74	20	28
District No. 4	141	58.3	103	73.0	301	1,511	366	584
California	817	89.9	819	100.2	2,076	15,216	10,335	32,724
Total U. S.—B. of M. basis Jan. 22, 1944	4,831	86.8	4,368	90.4	12,945	†79,763	38,296	53,431
Total U. S.—B. of M. basis Jan. 15, 1944	4,831	86.6	4,203	87.0	12,682	**78,557	**39,925	¶54,327
U. S. Bur. of Mines basis Jan. 23, 1943			3,555		9,930	86,086	40,303	71,689

*At the request of the Petroleum Administration for War. †Finished, 68,891,000 barrels; unfinished, 10,872,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,711,000 barrels of kerosine, 4,334,000 barrels of gas oil and distillate fuel and 9,041,000 barrels of residual fuel oil produced during the week ended Jan. 22, 1944, which compares with 1,481,000 barrels, 4,231,000 barrels and 8,459,000 barrels, respectively, in the preceding week and 1,265,000 barrels, 3,814,000 barrels and 7,290,000 barrels, respectively, in the week ended Jan. 23, 1943. ¶Revised in California district due to error by reporting company. **Combined area revised account inclusion of stocks not previously reported. Add to "Finished gasoline stocks" (in thousands of barrels); Jan. 15, 152; Jan. 8, 152; Jan. 1, 150; Dec. 25, 129; and Dec. 18, 23. Add to "gas oil and distillates" (thousands of barrels): Jan. 15, 826; Jan. 8, 580, and Jan. 1, 297.

Notes—Stocks of kerosine at Jan. 22, 1944 amounted to 8,683,000 barrels, as against 8,907,000 barrels a week earlier and 8,047,000 barrels a year before.

District No. 1 inventory indices are: Gasoline, 41.9%; kerosine, 45.3%; gas oil and distillate 87.3%, and residual fuel, 67.9% of normal.

November Retail Buying, Money In Circulation At New Highs

A new national high in retail buying, war expenditures and money in circulation was recorded during November, the Office of War Information said on Jan. 14 in releasing the fourth in a series of monthly economic stabilization summaries based on data from the Department of Commerce, War Production Board, Treasury Department, Bureau of Labor Statistics and Federal Reserve Board.

From the advices we quote:

The index of retail sales adjusted for seasonal variations, exceeded by 4% the previous all-time high registered during February, 1943. Considering non-durable goods alone, November dollar sales were slightly more than double the pre-war averages and 14% higher than November, 1942. The summary:

FACTORS AGAINST STABILIZATION

(Figures for 1943 based on latest Government estimates available. Annual, monthly and quarterly figures are actual, unless otherwise designated)

	1942	1943 (estimated)
Income payments to individuals	$116,000,000,000	$142,000,000,000
Consumers goods and services available	82,000,000,000	90,600,000,000
Excess of income over consumer goods and services available (after taxes)	27,000,000,000	33,400,000,000
War expenditures	52,400,000,000	86,000,000,000
November war expenditures	6,100,000,000	7,800,000,000
*Amount of war bond redemptions (Nov.)	36,800,000	164,400,000
Money in circulation (Nov. 30)	14,800,000,000	19,900,000,000
Money in checking accounts (Dec. 1) (Federal Reserve reporting member banks)	29,400,000,000	33,700,000,000

FACTORS TOWARD STABILIZATION

	1942	1943 (estimated)
Personal taxes (Federal, State and local)	$7,000,000,000	$18,000,000,000
War bond sales (Nov.) (Sales to commercial banks excluded)	734,500,000	665,200,000
Individuals making payroll savings (Nov.)	23,700,000	26,500,000
Amount purchased through deductions (Nov.)	320,000,000	425,000,000
Savings deposits (July, Aug. and Sept.)	Not available	1,400,000,000
Life insurance premiums collected (Oct.)	266,400,000	262,400,000

INDEXES

	Nov., 1943	Oct., 1943	Nov., 1942
Cost of living	124.1	124.4	119.8
Cost of food	137.3	138.2	131.1
Wholesale prices	103.9	103.0	100.3
Farm products	121.4	122.2	110.5
Retail sales adjusted index (1935-39=100)	177.1	166.3	158.2
Weekly earnings in manufacturing (Oct.)	$44.90	$44.39	$38.89
†Straight time hourly earnings (Oct.)	$0.90	$0.909	$0.839

*E, F and G bonds outstanding (Nov. 30) totalled $23,082,302,000.

†Does not allow for shifts in occupation since October, 1942.

The Treasury pointed out that war bond redemptions vary from month to month, due to emergencies such as medical expenses as well as anticipated major expenditures and fixed financial commitments.

November war expenditures of $7,794,000,000 were nearly 10% above the October, 1943, total of $7,005,000,000 and $106,000,000 above the previous high, reported for June, 1943, according to WPB.

The $19,900,000,000 in circulation during November, 1943, was 34% above the total for November, 1942, and followed the pattern of setting a new high for every month of 1943 to date. November's figures brought the total amount of monetary purchasing power in the hands of the public to an all-time high of more than $76,000,000,000.

Purchase of war bonds, payment of life insurance premiums and other investments continued at a high rate but all indexes point to the conclusion that people are continuing to spend about the same percentage of their income on non-durable goods as they did in pre-war years, and that the growth of savings has been due to the growth in incomes of individuals and the non-availability of durable goods, the summary pointed out.

Cotton Ginned from Crop of 1943 Prior to Jan. 16

The census report issued on Jan. 24, compiled from the individual returns of the ginners is shown below:

Number of bales of cotton ginned from the growth of 1943 prior to Jan. 16, 1944, and comparative statistics to the corresponding date in 1942 and 1941.

RUNNING BALES

(Counting round as half bales and excluding linters)

State—	1943	1942	1941
United States	*10,938,138	*12,116,690	*10,225,179
Alabama	930,058	890,413	773,316
Arizona	101,285	133,800	147,291
Arkansas	1,071,173	1,399,600	1,375,222
California	291,754	312,854	308,295
Florida	14,131	14,465	14,869
Georgia	844,019	850,210	635,558
Illinois	1,984	4,048	5,474
Kentucky	10,778	14,902	17,039
Louisiana	707,825	571,799	310,073
Mississippi	1,773,157	1,880,456	1,385,990
Missouri	285,839	401,697	469,192
New Mexico	93,344	98,884	87,720
North Carolina	606,138	711,582	567,084
Oklahoma	366,728	666,821	660,659
South Carolina	687,745	691,108	405,999
Tennessee	474,517	594,285	572,895
Texas	2,658,569	2,853,660	2,464,678
Virginia	19,094	26,106	23,825

*Includes 107,053 bales of the crop of 1943 ginned prior to Aug. 1 which was counted in the supply for the season for 1942-43, compared with 48,626 and 1,969 bales of the crops of 1942 and 1941.

The statistics in this report include no round bales for 1943; none for 1942 and 871 for 1941. Included in the above are 52,550 bales of American-Egyptian for 1943; 57,407 for 1942 and 50,111 for 1941; also 329 bales Sea-Island for 1943; 810 for 1942 and 3,388 for 1941.

The statistics for 1943 in this report are subject to revision when checked against the individual returns of the ginners being transmitted by mail. The revised total of cotton ginned this season prior to Dec. 13 is 10,773,834 bales.

Consumption and Stocks — United States

Cotton consumed during the month of December, 1943, amounted to 852,016 bales. Cotton on hand in consuming establishments Dec. 31, was 2,400,170 bales, and in public storages and at compresses 12,649,909 bales. The number of active consuming cotton spindles for the month was 22,596,322.

In the interest of national defense, the Department of Commerce has discontinued until further notice the publication of statistics concerning imports and exports.

World Statistics

Because of War conditions and the difficulties in obtaining dependable world statistics such data are being omitted from this report for the time being.

Brazil Profits Tax And Reconversion Reserve

A combined excess profits tax and industrial reconversion reserve law was signed on Jan. 24 by President Getulio Vargas, retroactive through 1943. In reporting this an Associated Press dispatch from Rio de Janeiro said:

As explained by the Government the law sets up levies ranging from 20% on profits deemed less than 100% above normal, to 50% on profits adjudged more than 300% above normal.

Taxpayers would have a choice of paying the assessment or depositing double that amount with the Bank of Brazil in the form of "deposits of gurantee" or "equipping certificates," each bearing 3% interest.

This would serve the dual purpose of taking money out of circulation—a move against inflation—and providing funds for post-war industrial expansion.

The "guarantee deposits" could be drawn upon only for company improvements and conversion. The "equipping certificates" would be available to pay for imports of industrial machinery. Holders would be given import priorities.

A business can use either of two methods to find a base period for figuring its "normal profit." This can be the average of any two consecutive years from 1936 through 1940 plus 50% and also plus 25% of any sum spent for improvement since 1941. Or it can be figured as 25% of the company's capital investment.

Profits under about $5,000 a year will be exempt.

Lauds Refugee Service

President Roosevelt praised on Jan. 16 the National Refugee Service for its successful program of aid to new Americans and congratulated William Rosenwald, retiring head of the organization, for his ten years of leadership to the refugee program.

The President's letter, read to the group's meeting in New York City, follows, according to the New York "Times":

My dear Mr. Rosenwald:

By maintaining its tradition of asylum for the oppressed in a decade when the world was infested with group hatred and persecution, our country has done itself honor. The neighborly assistance and guidance offered by public spirited organizations and individuals to those who have found haven here has helped them to adjust more rapidly to our American life, to contribute to the enrichment of our economy and culture and to participate loyally in our struggle for national survival.

I know that the National Refugee Service is responsible in large measure for the successful program of aid to new Americans. I therefore take pleasure in extending my good wishes to you personally on the rounding out of ten years of able and devoted leadership, and to the organization you head on its completion of five years of outstanding service in this patriotic and human cause.

You will recall that three years ago I suggested that the program of the National Refugee Service might provide a model of constructive absorption of immigrants into the American life. The record of accomplishment since then, under stress of war conditions, has confirmed that view. It is heartening to know that, due to the efforts of high-minded men and women, our country is prepared to continue the well-conceived and effective program for aiding newcomers to fulfill their hope of becoming good Americans.

Very sincerely yours,
FRANKLIN D. ROOSEVELT.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Feb. 1	119.42	111.25	118.40	116.22	111.07	100.32	104.14	113.31	116.61
Jan. 31	119.44	111.07	118.20	116.22	111.25	100.16	104.31	113.12	116.41
29	119.47	111.07	118.20	116.22	111.25	100.16	104.14	113.31	116.41
28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
27	119.53	111.25	118.40	116.22	111.25	100.16	104.31	113.31	116.41
26	119.54	111.25	118.40	116.41	111.25	100.16	104.31	113.31	116.41
25	119.54	111.25	118.40	116.41	111.07	100.16	104.31	113.31	116.41
24	119.57	111.07	118.40	116.22	111.07	100.16	104.14	113.31	116.41
22	119.58	111.07	118.40	116.22	111.07	100.16	104.31	113.31	116.41
21	119.58	111.25	118.40	116.41	111.07	100.16	104.31	113.31	116.41
20	119.58	111.07	118.40	116.22	111.25	100.00	104.14	113.31	116.41
19	119.55	111.25	118.60	116.41	111.25	99.84	103.97	113.31	116.61
18	119.55	111.25	118.60	116.41	111.25	100.00	104.14	113.31	116.61
17	119.57	111.25	118.60	116.41	111.25	99.84	103.97	113.31	116.61
15	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.61
14	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.41
13	119.57	111.07	118.80	116.41	111.07	99.68	103.97	113.50	116.41
12	119.60	111.07	118.80	116.41	111.07	99.52	103.97	113.50	116.41
11	119.63	111.07	118.80	116.41	111.25	99.36	103.97	113.50	116.22
10	119.69	111.07	118.80	116.41	111.07	99.36	103.97	113.50	116.22
8	119.71	111.07	118.60	116.41	111.07	99.36	103.80	113.50	116.22
7	119.69	111.07	118.60	116.41	111.07	99.36	103.80	113.50	116.22
6	119.65	110.88	118.60	116.22	111.07	99.36	103.64	113.50	116.22
5	119.59	110.88	118.40	116.22	111.07	99.20	103.64	113.50	116.22
4	119.50	110.70	118.40	116.22	110.88	99.04	103.47	113.50	116.02
3	119.48	110.70	118.20	116.22	110.88	99.04	103.30	113.31	116.22
1	STOCK EXCHANGE CLOSED.								
High 1944	119.71	111.25	118.80	116.41	111.25	100.16	104.31	113.50	116.61
Low 1944	119.47	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year ago Feb. 1, 1943	117.04	108.88	117.60	115.04	109.97	94.71	99.20	112.56	115.43
2 Years ago Jan. 31, 1942	117.07	106.92	116.22	113.70	107.80	92.06	97.16	110.52	113.70

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Feb. 1	1.87	3.100	2.73	2.84	3.11	3.73	3.50	2.99	2.82
Jan. 31	1.87	3.11	2.74	2.84	3.10	3.74	3.49	3.00	2.83
29	1.87	3.11	2.74	2.84	3.10	3.74	3.50	2.99	2.83
28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
27	1.86	3.10	2.73	2.84	3.10	3.74	3.49	2.99	2.83
26	1.86	3.10	2.73	2.83	3.10	3.74	3.49	2.99	2.83
25	1.86	3.10	2.73	2.83	3.11	3.74	3.49	2.99	2.83
24	1.86	3.11	2.73	2.84	3.11	3.74	3.50	2.99	2.83
22	1.86	3.11	2.73	2.84	3.11	3.74	3.49	2.99	2.83
21	1.86	3.10	2.73	2.83	3.11	3.74	3.49	2.99	2.83
20	1.86	3.11	2.73	2.84	3.10	3.75	3.50	2.99	2.83
19	1.86	3.10	2.72	2.83	3.10	3.76	3.51	2.99	2.82
18	1.86	3.10	2.72	2.83	3.10	3.75	3.50	2.99	2.82
17	1.86	3.10	2.72	2.83	3.10	3.76	3.51	2.99	2.82
15	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.82
14	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.83
13	1.86	3.11	2.71	2.83	3.11	3.77	3.51	2.98	2.83
12	1.86	3.11	2.71	2.83	3.11	3.78	3.51	2.98	2.83
11	1.86	3.11	2.71	2.83	3.10	3.79	3.51	2.98	2.84
10	1.85	3.11	2.71	2.83	3.11	3.79	3.51	2.98	2.84
8	1.85	3.11	2.72	2.83	3.11	3.79	3.52	2.98	2.84
7	1.85	3.11	2.72	2.83	3.11	3.79	3.52	2.98	2.84
6	1.85	3.12	2.72	2.84	3.11	3.79	3.53	2.98	2.84
5	1.86	3.12	2.73	2.84	3.11	3.80	3.53	2.98	2.84
4	1.86	3.13	2.73	2.84	3.12	3.81	3.54	2.98	2.85
3	1.87	3.13	2.74	2.84	3.12	3.81	3.55	2.99	2.84
1	STOCK EXCHANGE CLOSED.								
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.85	3.10	2.71	2.83	3.10	3.74	3.49	2.98	2.82
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year ago Feb. 1, 1943	2.06	3.23	2.77	2.90	3.17	4.09	3.80	3.03	2.88
2 Years ago Jan. 31, 1942	2.05	3.34	2.84	2.97	3.29	4.27	3.93	3.14	2.97

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Little Change In Wholesale Commodity Index During Week Ended Jan. 22, Says Labor Dept.

There was very little movement in commodity prices in primary markets except for certain farm products during the week ended January 22 and the Bureau of Labor Statistics' all-commodity index remained unchanged at 103.0% of the 1926 average, said the U. S. Department of Labor on January 22, which reports that the composite index is 0.1% higher than at this time last month and 1.3% above the level for the corresponding week a year ago.

The Department's announcement further said:

"Farm Products and Foods. A decline of 0.2% in prices for farm products during the week offset the slight advance which occurred in mid-January. Quotations were lower for rye and wheat, for cattle, for eggs, oranges, onions, and for potatoes in the Chicago and New York markets. Higher prices were reported for hogs, sheep, apples, tobacco, fresh milk at Chicago, for sweet potatoes, and for white potatoes in the Portland (Oregon) and Boston markets. Market prices for farm products are slightly lower than at this time last month and 4% over their level of a year ago.

"Food prices in primary markets also dropped 0.2%. Prices for fruits and vegetables and both wheat and rye flour declined. Average prices for foods are 1% lower than they were late in December and are fractionally lower than at this time last year.

"Industrial Commodities. Industrial commodity prices continued relatively stable. Slightly higher prices for bituminous coal brought the index for fuel and lighting materials up 0.1% during the week. Quicksilver continued to decline, while rosin and turpentine advanced. Minor price decreases were reported for common building brick in some areas."

In its advices the Department makes the following notation:

During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for Dec. 25, 1943, and Jan. 23, 1943, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in sub-group indexes from Jan. 15 to Jan. 22, 1944:

(1926=100)

Commodity Groups—	1-22 1944	1-15 1944	1-8 1944	12-25 1943	1-23 1943	Percentage changes to Jan. 22, 1944 from— 1-15 1944	12-25 1943	1-23 1943
All commodities	*103.0	*103.0	*102.9	*102.9	101.7	0	+0.1	+ 1.3
Farm products	121.9	122.1	121.9	122.0	117.2	—0.2	—0.1	+ 4.0
Foods	104.6	104.8	104.6	105.7	104.7	—0.2	—1.0	— 0.1
Hides and leather products	117.9	117.9	117.9	117.9	118.4	0	0	— 0.4
Textile products	97.2	97.2	97.2	97.2	96.8	0	0	+ 0.4
Fuel and lighting materials	*82.8	*82.7	*82.6	*82.6	80.1	+0.1	+0.2	+ 3.4
Metals and metal products	*103.8	*103.8	*103.9	*103.9	103.9	0	—0.1	— 0.1
Building materials	113.4	113.4	113.4	113.5	110.0	0	—0.1	+ 3.1
Chemicals and allied products	100.4	100.4	100.3	100.3	99.5	0	+0.1	+ 0.9
Housefurnishing goods	104.4	104.4	104.4	104.4	104.1	0	0	+ 0.3
Miscellaneous commodities	93.0	93.0	93.0	93.0	90.5	0	0	+ 2.8
Raw materials	*112.3	*112.3	*112.1	*112.2	108.0	0	+0.1	+ 4.0
Semimanufactured articles	93.1	93.1	93.1	93.1	92.5	0	0	+ 0.6
Manufactured products	*100.4	*100.4	*100.4	*100.4	100.3	0	0	+ 0.1
All commodities other than farm products	*98.9	*98.9	*98.9	*98.9	98.4	0	0	+ 0.5
All commodities other than farm products and foods	*97.9	*97.9	*97.8	*97.8	96.3	0	+0.1	+ 1.7

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JAN. 15, 1944 TO JAN. 22, 1944

Increases			
Bituminous coal	0.4	Agricultural implements	0.1
Decreases			
Other foods	0.5	Grains	0.2
Fruits and vegetables	0.3	Livestock and poultry	0.1
Other farm products	0.3	Brick and tile	0.1

Non-Ferrous Metals—Less Foreign February Lead Asked—Further Decline In Quicksilver

"E. & M. J. Metal and Mineral Markets," in its issue of Jan. 27 stated: "Officials in Washington made it clear during the last week that WPB intends to move slowly in the matter of releasing critical metals for civilian consumption. Modification of the program in this country is unlikely until after the invasion of Europe. That copper's position so far as the United Nations are concerned is definitely easier is seen in a report received here on Jan. 26 that Rhodesian producers will curtail production during April, May and June by 20 to 25%. Domestic lead consumers asked for a smaller tonnage of foreign metal for February shipment. Quicksilver again declined sharply, but some good buying developed at the lower levels." The publication further went on to say in part:

Copper

Producers of copper appeared satisfied that the tonnage of copper allocated for February will absorb the domestic output and a fair tonnage of foreign metal as well. In other words, the question of accumulating domestic copper will not come up in February and the marketing problem again is free from fresh complications.

Brass and bronze ingot makers met in New York last week to review production problems growing out of heavy demands for 85-5-5-5 and some other grades of ingot. As a result of the conference, larger tonnages of scrap will be diverted to this branch of the copper industry.

Lead

Buying of lead during the last week was, in better volume than anticipated. Producers expected business to drop sharply after the active market of the preceding week, but consumers asked for additional tonnages, and sales for the last week involved 5,461 tons. Call for foreign lead, owned by Metals Reserve Co., to supplement domestic deliveries for February was even smaller than in January. From present indications, hardly more than 8,000 tons of foreign lead will be allotted to consumers for February.

Shipments of refined lead during December by domestic refiners amounted to 49,135 tons, making the total for the year 548,417 tons, against 618,947 tons in 1942. Production of refined lead during December was 54,247 tons, making the total for the year 546,673 tons. Stocks in the hands of domestic refiners at the end of 1943 amounted to 33,090 tons, which compares with 34,937 tons a year ago. The statistics of the domestic industry do not include foreign refined lead.

To keep essential transportation in operation, WPB will increase quotas of manufacturers of automobile batteries in 1944 to produce a total of about 19,300,000 batteries. This action raises the permissible figure from 105% to 110% of the number of batteries sold during 1941 or 1943, whichever is higher.

Zinc

Buying of zinc was on the quiet side. With deliveries to customers not absorbing current production, the stockpile continues to increase. WPB is moving slowly in making more zinc available for civilian consumption.

Estimated electrolytic zinc capacity of plants operating in this country at the end of 1942 was 361,000 tons of cathodes a year, the American Bureau of Metal Statistics reports. Capacity of plants was: A. S. & R. Co., Corpus Christi, Texas, 29,000 tons; American Zinc, Monsanto, Ill., 36,000 tons; Sullivan Mining, Silver King, Idaho, 41,000 tons; Anaconda, Great Falls, Mont., 175,000 tons; Anaconda, Anaconda, Mont., 80,000 tons.

Total zinc smelting capacity at the end of 1942 was estimated at 1,069,000 tons.

Tin

The State Department announced Jan. 24 that it has refused to recognize the revolutionary government of Bolivia. Great Britain has taken similar action. Tin consumers are wondering whether the move will lead to an interruption in exports of tin concentrates. So far, nothing has occurred to hinder the movement of concentrates either to the United States or the United Kingdom. Bolivia has been exporting concentrates at the rate of 3,320 tons (tin content) a month, about one-half of which has been coming to the United States. In addition to obtaining tin from Bolivia, the United States has been importing the metal from the Belgian Congo, probably at the rate of 1,800 tons a month.

The price situation here remains unchanged. Straits quality tin for shipment, in cents a pound, was as follows:

	Jan.	Feb.	March
Jan. 20	52.000	52.000	52.000
Jan. 21	52.000	52.000	52.000
Jan. 22	52.000	52.000	52.000
Jan. 24	52.000	52.000	52.000
Jan. 25	52.000	52.000	52.000
Jan. 26	52.000	52.000	52.000

Chinese or 99% tin, was unchanged at 51.125 cents a pound.

Quicksilver

Though the price situation in quicksilver continued highly unsettled, some fair buying developed last week, and traders felt that producers were less disposed to dump the metal on an unwilling market. Advices from producing centers indicate that output is being reduced. Prices named in New York during the last week ranged from $130 to $140 per flask, the low figure obtaining on metal for shipment from the Pacific Coast. In San Francisco, down to $125 was done, Coast basis, February shipment.

Some observers believe that domestic output will drop from an annual rate of 53,000 flasks in 1943 to around 35,000 flasks in 1944. Imports at present are not competing directly with domestic metal. However, it is feared that a free market in foreign metal might further complicate selling here.

Silver

During the last week the silver market in London has been quiet, with the price unchanged at 23½d.

The New York Official for foreign silver and the Treasury's price continued at 44¾c. and 35c., respectively. Domestic newly mined silver continued at 70⅝c., in New York.

Daily Prices

The daily prices of electrolytic copper (domestic and export refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Supreme Court Upholds NY Mtg. Salvage Law

The U. S. Supreme Court held constitutional on Jan. 17 New York legislation enacted April 13, 1940, modifying retroactively personal property laws relating to mortgage salvage operations.

The following regarding the decision was reported in an Associated Press Washington advices:

The legislation allots to the life beneficiary, out of the net income earned from the operation of real estate in salvage, an annual amount up to 3% of the face value of the mortgage investment.

This was challenged on the ground that the allocation was made without regard to whether any net income had been derived from the property.

Justice Jackson delivered the 7-2 decision on litigation involving the estates of Henry C. West and Auguste Schnitzler, both of New York.

"This statute," Justice Jackson wrote, "does not purport to open accountings already closed to take away rights of remainders judicially settled under the old rule. The statute is applied only to judicial settlements pending at or instituted after its enactment.

"Rights to succession by will are created by State and may be limited, conditioned or abolished by it.

"The State may extend the testamentary privilege on terms which permit tying up of property in trust for possibly long periods. But the State on creation of such a trust does not lose power to devise new and reasonable directions to the trustee to meet new conditions arising during its administration, such as the depression presented to trusts holding mortgages.

"The Fourteenth Amendment does not invalidate the act in question."

Justices Douglas and Black dissented, saying the case should be dismissed because of lack of a substantial Federal question.

Moody's Daily Commodity Index

Tuesday, Jan. 25	247.8
Wednesday, Jan. 26	247.9
Thursday, Jan. 27	248.1
Friday, Jan. 28	248.3
Saturday, Jan. 29	248.4
Monday, Jan. 31	248.3
Tuesday, Feb. 1	248.6
Two weeks ago, Jan. 18	247.2
Month ago, Jan. 3	247.5
Year ago, Feb. 1	245.4
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, Feb. 1	248.6
Low, Jan. 5	247.0

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of bituminous coal and lignite in the week ended Jan. 22, 1944, is estimated at 12,650,000 net tons, a decrease of 100,000 tons, or 0.8%, from the preceding week. Output in the corresponding week of 1943 amounted to 11,200,000 tons. Total production for the current year to date is 9.1% in excess of that for the same period last year.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended Jan. 22, 1944, was estimated at 1,218,000 tons, an increase of 71,000 tons (6.2%) over the preceding week. When compared with the output in the corresponding week of 1943 there was an increase of 147,000 tons, or 13.7%.

The Bureau of Mines also reported that the estimated output of by-product coke in the United States for the week ended Jan. 22, 1944, showed an increase of 4,600 tons when compared with the production for the week ended Jan. 15, 1944. The quantity of coke from beehive ovens increased 11,200 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL
(In Net Tons)

Bituminous coal and lignite—	Week Ended— Jan. 22, 1944	Jan. 15, 1944	Jan. 23, 1943	January 1 to Date— *Jan. 22, 1944	Jan. 23, 1943	Jan. 23, 1937
Total, incl. mine fuel	12,650,000	12,750,000	11,200,000	38,880,000	35,629,000	32,599,000
Daily average	2,108,000	2,125,000	1,867,000	2,079,000	1,875,000	1,716,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

Penn. anthracite—	Week Ended— §Jan. 22, 1944	¶Jan. 15, 1944	Jan. 23, 1943	Cal. Year to Date— Jan. 22, 1944	Jan. 23, 1943	Jan. 26, 1929
*Total incl. coll. fuel	1,218,000	1,147,000	1,071,000	3,451,000	3,091,000	5,931,000
†Commercial production	1,169,000	1,101,000	1,028,000	3,313,000	2,967,000	5,504,000
Byproduct coke—						
United States total	1,274,200	1,269,600	1,209,500	3,970,400	3,977,400	‡
Beehive coke—						
United States total	167,900	156,700	154,700	497,500	494,000	439,500

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In net tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State	Week Ended— Jan. 15, 1944	Jan. 8, 1944	Jan. 16, 1943	Jan. 16, 1937
Alabama	396,000	391,000	378,000	277,000
Alaska	4,000	5,000	6,000	2,000
Arkansas and Oklahoma	83,000	102,000	98,000	114,000
Colorado	198,000	182,000	192,000	239,000
Georgia and North Carolina	1,000	1,000	1,000	1,000
Illinois	1,606,000	1,594,000	1,345,000	1,315,000
Indiana	593,000	580,000	510,000	393,000
Iowa	55,000	53,000	66,000	116,000
Kansas and Missouri	172,000	175,000	200,000	200,000
Kentucky—Eastern	1,003,000	935,000	919,000	830,000
Kentucky—Western	352,000	311,000	311,000	199,000
Maryland	39,000	35,000	29,000	40,000
Michigan	6,000	3,000	7,000	18,000
Montana (bituminous and lignite)	113,000	115,000	106,000	78,000
New Mexico	40,000	38,000	37,000	47,000
North and South Dakota (lignite)	79,000	88,000	74,000	66,000
Ohio	678,000	634,000	694,000	567,000
Pennsylvania (bituminous)	3,000,000	2,831,000	2,696,000	2,727,000
Tennessee	165,000	153,000	143,000	111,000
Texas (bituminous and lignite)	4,000	7,000	8,000	15,000
Utah	143,000	134,000	130,000	141,000
Virginia	429,000	427,000	407,000	308,000
Washington	36,000	31,000	49,000	54,000
*West Virginia—Southern	2,240,000	2,290,000	2,135,000	1,952,000
†West Virginia—Northern	1,007,000	944,000	841,000	620,000
Wyoming	207,000	190,000	193,000	170,000
‡Other Western States	1,000	1,000	††	††
Total bituminous and lignite	12,750,000	12,250,000	11,575,000	10,600,000
§Pennsylvania anthracite	1,147,000	1,076,000	1,046,000	999,000
Total all coal	13,897,000	13,326,000	12,621,000	11,599,000

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant. Mineral, and Tucker counties. ‡Includes Arizona. Idaho and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ††Less than 1,000 tons.

Electric Output For Week Ended Jan. 29, 1944, Shows 13.8% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Jan. 29, 1944, was approximately 4,523,763,000 kwh., compared with 3,976,844,000 kwh. in the corresponding week a year ago, an increase of 13.8%. The output of the week ended Jan. 22, 1944, was 14.0% in excess of the similar period of 1942.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended— Jan. 29	Jan 22	Jan. 15	Jan. 8
New England	5.6	3.2	5.3	6.0
Middle Atlantic	11.9	13.0	14.5	16.1
Central Industrial	9.1	9.9	10.3	8.3
West Central	5.8	6.2	6.4	4.6
Southern States	15.8	16.7	17.4	20.1
Rocky Mountain	12.0	11.5	12.8	18.1
Pacific Coast	30.8	29.4	29.9	32.9
Total United States	13.8	14.0	14.8	15.6

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1943	1942	% Change 1943 over 1942	1941	1932	1929
Nov. 6	4,413,863	3,761,961	+17.3	3.368,690	1,520,730	1,798,164
Nov. 13	4,482,665	3,775,878	+18.7	3.347,893	1,531,584	1,793,584
Nov. 20	4,513,299	3,795,361	+18.9	3.247,938	1,475,268	1,818,169
Nov. 27	4.403,342	3,766,381	+16.9	3,339,364	1,510,337	1,718,002
Dec. 4	4.560,158	3,883,534	+17.4	3,414,844	1,518,922	1,806,225
Dec. 11	4,566,905	3,937,524	+16.0	3,475,919	1,563,384	1,840,863
Dec. 18	4,612,994	3,975,873	+16.0	3,495,140	1,554,473	1,860,021
Dec 25	4,295,100	3,655,926	+17.5	3,234,128	1,414,710	1,637,683
Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Jan. 1	4,337,387	3,779,993	+14.7	3,288,685	1,619,265	1,542,000
Jan. 8	4,567,959	3,952,587	+15.6	3,472,579	1,602,482	1,733,810
Jan. 15	4,539,083	3,952,479	+14.8	3,450,468	1,598,201	1,736,721
Jan. 22	4,531,662	3,974,202	+14.0	3,440,163	1,588,967	1,717,315
Jan. 29	4,523,763	3,976,844	+13.8	3,468,193	1,588,853	1,728,203

Trading On New York Exchanges

The Securities and Exchange Commission made public on Jan. 22 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Jan. 8, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Jan 8 (in round-lot transactions) totaled 1,775,526 shares, which amount was 18.56% of the total transactions on the Exchange of 4,781,880 shares. This compares with member trading during the week ended Dec. 31 of 1,724,422 shares, or 16.47% of total trading of 5,233,610 shares. On the New York Curb Exchange, member trading during the week ended Jan. 8 amounted to 337,720 shares, or 16.10% of the total volume on that exchange of 1,049,135 shares; during the Dec. 31 week trading for the account of Curb members of 310,560 shares was 13.46% of total trading of 1,153,975 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED JANUARY 8, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	134,700	
‡Other sales	4,647,180	
Total sales	4,781,880	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	412,130	
Short sales	64,100	
‡Other sales	419,400	
Total sales	483,500	9.36
2. Other transactions initiated on the floor—		
Total purchases	274,180	
Short sales	19,310	
‡Other sales	299,450	
Total sales	318,760	6.20
3. Other transactions initiated off the floor—		
Total purchases	155,735	
Short sales	12,700	
‡Other sales	118,521	
Total sales	131,221	3.00
4. Total—		
Total purchases	842,045	
Short sales	96,110	
‡Other sales	837,371	
Total sales	933,481	18.56

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED JANUARY 8, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	11,090	
‡Other sales	1,038,045	
Total sales	1,049,135	
B. Round-Lot Transactions for the Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	82,885	
Short sales	7,210	
‡Other sales	98,600	
Total sales	105,810	8.99
2. Other transactions initiated on the floor—		
Total purchases	19,975	
Short sales	2,625	
‡Other sales	33,100	
Total sales	35,725	2.66
3. Other transactions initiated off the floor—		
Total purchases	52,245	
Short sales	430	
‡Other sales	40,650	
Total sales	41,080	4.45
4. Total—		
Total purchases	155,105	
Short sales	10,265	
‡Other sales	172,350	
Total sales	182,615	16.10
C. Odd-Lot Transactions for the Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	43,016	
Total purchases	43,016	
Total sales	32,691	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

December Life Insurance Sales Advance

The sale of ordinary life insurance in the United States in December amounted to $690,847,000, a 27% increase over the amount sold in the same month of 1942, according to the monthly survey issued by the Life Insurance Sales Research Bureau, Hartford, Conn. The total sales volume for the year 1943 aggregated $7,304,910,000, a 12% increase over 1942.

The sales volume and the ratios for all sections are reported by the Bureau as follows:

	DECEMBER, 1943 Sales Volume in $1,000	Ratios '43-'42 All Cos.	YEAR 1943 Sales Volume in $1,000	Ratios '43-'42 All Cos.
U. S. Total	$690,847	127%	$7,304,910	112%
New England	51,072	134	555,079	107
Middle Atlantic	168,421	112	1,887,535	108
E. N. Central	154,214	129	1,622,565	109
W. N. Central	72,454	134	740,182	115
S. Atlantic	69,835	133	746,503	116
E. S. Central	28,279	136	291,215	110
W. S. Central	49,915	130	509,885	111
Mountain	21,982	133	214,283	125
Pacific	74,675	149	737,663	120

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 29 a summary for the week ended Jan. 22 of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Jan. 22, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	19,127
Number of shares	518,444
Dollar value	$19,694,246
Odd-Lot Purchases by Dealers— (Customers' Sales)	
Number of Orders:	
Customers' short sales	213
*Customers' other sales	17,438
Customers' total sales	17,651
Number of Shares:	
Customers' short sales	7,021
*Customers' other sales	443,008
Customers' total sales	450,029
Dollar value	$14,694,242
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	10
†Other sales	112,740
Total sales	112,750
Round-lot Purchases by Dealers—	
Number of shares	179,120

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Australia, New Zealand Sign Pacific Agreement

Australia and New Zealand signed on Jan. 21 an agreement defining their permanent zone of interest in the Pacific, declaring that establishment of defense bases by one country on territory of another gives no post-war right of sovereignty, and bidding for their share of post-war air routes. This is learned from United Press advices from Canberra, Australia, Jan. 21 which also reported:

The agreement, one of the most important ever reached by two British dominions, is aimed at assuring the political and territorial position of both countries after the war.

As part of it, Australia and New Zealand defined their permanent defense zone as comprising the south and southwest Pacific territories based on their countries extending through the arc of islands north and northeast of them to western Samoa and the Cook Islands. (This would not extend the present empire zone of islands, except that presumably it would include the Japanese-mandated Marshalls and Carolines.)

After the agreement had been signed in the House of Representatives here at the same table at which Queen Victoria signed in London the act assenting to the Constitution of Australia in 1900, it was referred to both governments, which at once ratified it.

Australian Prime Minister John Curtin, in a speech for Australia, said the agreement established landmarks in international collaboration in the Pacific, in development of Australian and New Zealand foreign policy and in the constitutional growth of British Empire nations.

"The people of Australia and New Zealand have agreed on an associated role of trusteeship in this part of the world," he continued.

Prime Minister Curtin said, however, that Australia and New Zealand were not in any way impairing the sovereignty of the peoples of the respective dominions, but were proving that they could work together in an agreement of historical significance.

Revenue Freight Car Loadings During Week Ended Jan. 22, 1944 Increased 18,502 Cars

Loading of revenue freight for the week ended Jan. 22, 1944, totaled 798,722 cars, the Association of American Railroads announced on Jan. 27. This was an increase above the corresponding week of 1943 of 95,428 cars, or 13.6%, but a decrease below the same week in 1942 of 19,359 cars or 2.4%.

Loading of revenue freight for the week of Jan. 22, increased 18,502 cars, or 2.4% above the preceding week.

Miscellaneous freight loading totaled 367,389 cars, an increase of 11,229 cars above the preceding week, and an increase of 31,839 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 101,009 cars, an increase of 2,121 cars above the preceding week, and an increase of 16,479 cars above the corresponding week in 1943.

Coal loading amounted to 182,165 cars, a decrease of 1,721 cars below the preceding week, but an increase of 18,119 cars above the corresponding week in 1943.

Grain and grain products loading totaled 58,857 cars, an increase of 1,415 cars above the preceding week and an increase of 13,573 cars above the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of Jan. 22, totaled 41,651 cars, an increase of 921 cars above the preceding week, an increase of 11,970 cars above the corresponding week in 1943.

Live stock loading amounted to 16,164 cars, a decrease of 1,003 cars below the preceding week, but an increase of 4,681 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of Jan. 22, totaled 11,446 cars, a decrease of 904 cars below the preceding week, but an increase of 3,527 cars above the corresponding week in 1943.

Forest products loading totaled 43,365 cars, an increase of 5,537 cars above the preceding week and an increase of 9,659 cars above the corresponding week in 1943.

Ore loading amounted to 14,363 cars, an increase of 959 cars above the preceding week and an increase of 804 cars above the corresponding week in 1943.

Coke loading amounted to 15,410 cars, a decrease of 35 cars below the preceding week, but an increase of 274 cars above the correspanding week in 1943.

All districts reported increases compared with the corresponding week in 1943, but all districts reported decreases compared with 1942 except the Pocahontas, Centralwestern, and Southwestern.

	1944	1943	1942
Week of January 1	643,474	621,173	676,534
Week of January 8	762,999	717,176	736,972
Week of January 15	780,220	755,498	811,327
Week of January 22	798,722	703,294	818,081
Total	2,985,415	2,797,141	3,042,914

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Jan. 22, 1944. During the period 102 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED JAN. 22

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
Eastern District—	1944	1943	1942	1944	1943
Ann Arbor	276	227	608	1,641	1,122
Bangor & Aroostook	2,534	1,668	2,062	317	195
Boston & Maine	6,473	5,529	8,551	14,869	14,022
Chicago, Indianapolis & Louisville	1,495	1,290	1,539	2,274	1,948
Central Indiana	31	32	19	35	62
Central Vermont	1,000	951	1,364	2,457	2,113
Delaware & Hudson	5,494	5,916	6,642	13,641	11,838
Delaware, Lackawanna & Western	7,218	6,691	9,517	10,932	11,068
Detroit & Mackinac	179	213	314	114	88
Detroit, Toledo & Ironton	2,099	1,528	2,525	1,865	1,459
Detroit & Toledo Shore Line	325	278	379	3,841	2,888
Erie	12,491	11,328	14,838	20,002	16,731
Grand Trunk Western	3,608	2,989	5,562	9,431	8,499
Lehigh & Hudson River	168	139	196	3,077	2,447
Lehigh & New England	1,904	1,735	1,846	1,302	1,568
Lehigh Valley	8,538	7,135	9,764	16,289	10,321
Maine Central	2,293	2,165	3,394	4,512	3,054
Monongahela	6,376	6,087	6,005	337	350
Montour	2,547	2,511	1,806	18	33
New York Central Lines	48,149	42,242	49,078	55,816	52,817
N. Y., N. H. & Hartford	10,046	8,749	12,648	18,836	16,387
New York, Ontario & Western	1,013	906	1,126	2,857	2,221
New York, Chicago & St. Louis	6,669	6,676	6,476	16,605	14,733
N. Y., Susquehanna & Western	622	416	523	2,794	2,698
Pittsburgh & Lake Erie	7,776	7,328	8,302	8,036	8,421
Pere Marquette	4,579	3,824	5,767	9,088	7,226
Pittsburg & Shawmut	931	628	600	24	21
Pittsburg, Shawmut & North	343	309	415	275	235
Pittsburgh & West Virginia	1,191	852	874	2,666	3,518
Rutland	375	273	552	1,005	818
Wabash	6,389	5,465	6,130	13,623	11,377
Wheeling & Lake Erie	4,780	4,655	4,780	4,712	5,893
Total	157,912	140,735	174,202	243,291	216,171
Allegheny District—					
Akron, Canton & Youngstown	739	735	601	1,209	1,091
Baltimore & Ohio	41,054	35,691	39,446	28,976	26,179
Bessemer & Lake Erie	2,772	2,893	3,191	1,442	1,748
Buffalo Creek & Gauley	272	341	320	3	3
Cambria & Indiana	1,830	1,682	1,866	3	7
Central R. R. of New Jersey	6,379	5,664	8,332	19,569	20,117
Cornwall	630	570	701	59	52
Cumberland & Pennsylvania	221	255	317	8	20
Ligonier Valley	171	112	129	36	44
Long Island	1,278	891	811	3,449	3,158
Penn-Reading Seashore Lines	1.587	1,305	1,888	2,229	2,450
Pennsylvania System	76,492	68,400	79,984	67,262	58,347
Reading Co.	14,650	13,669	16,597	29,959	27,803
Union (Pittsburgh)	19,933	20,046	19,902	4,312	4,499
Western Maryland	3,996	3,711	4,021	13,811	13,732
Total	172,004	155,965	178,106	172,327	159,250
Pocahontas District—					
Chesapeake & Ohio	28,473	26,119	25,447	11,251	10,863
Norfolk & Western	21,902	21,582	21,078	7,624	7,815
Virginian	4,697	4,694	4,436	2,413	2,484
Total	55,072	52,395	50,961	21,288	21,162
Southern District—	1944	1943	1942	1944	1943
Alabama, Tennessee & Northern	363	374	398	513	290
Atl. & W. P.—W. R. R. of Ala.	709	711	818	2,582	2,954
Atlanta, Birmingham & Coast	756	599	862	1,341	1,145
Atlantic Coast Line	13,059	14,807	13,088	11,340	11,568
Central of Georgia	3,767	3,460	4,538	4,961	4,397
Charleston & Western Carolina	384	371	421	1,774	1,643
Clinchfield	1,594	1,778	1,631	3,377	2,966
Columbus & Greenville	274	316	311	226	210
Durham & Southern	108	94	184	732	449
Florida East Coast	3,007	2,769	1,255	1,500	1,502
Gainesville Midland	47	41	41	115	99
Georgia	1,215	1,206	1,543	2,619	3,464
Georgia & Florida	418	369	494	760	497
Gulf, Mobile & Ohio	3,936	3,560	4,265	3,838	5,062
Illinois Central System	28,774	26,030	30,413	16,081	17,204
Louisville & Nashville	24,205	24,794	25,495	11,910	10,765
Macon, Dublin & Savannah	178	213	207	867	863
Mississippi Central	268	179	154	537	438
Nashville, Chattanooga & St. L.	3,123	3,175	3,334	4,924	4,410
Norfolk Southern	856	1,144	1,238	1,743	1,581
Piedmont Northern	435	335	449	1,641	1,076
Richmond, Fred. & Potomac	356	365	502	10,839	11,259
Seaboard Air Line	10,086	10,654	11,219	8,961	9,507
Southern System	22,698	21,468	25,447	24,394	22,997
Tennessee Central	701	486	619	1,049	933
Winston-Salem Southbound	149	89	135	1,066	835
Total	121,466	119,387	129,061	119,690	118,114
Northwestern District—					
Chicago & North Western	16,173	12,373	18,157	15,905	11,666
Chicago Great Western	2,814	1,855	2,975	3,344	2,486
Chicago, Milw., St. P. & Pac.	22,002	15,970	23,775	11,593	9,291
Chicago, St. Paul, Minn. & Omaha	4,311	3,235	4,754	4,068	2,759
Duluth, Missabe & Iron Range	1,333	1,087	1,265	251	256
Duluth, South Shore & Atlantic	891	568	736	554	386
Elgin, Joliet & Eastern	9,019	8,066	10,456	10,519	9,685
Ft. Dodge, Des Moines & South	413	300	512	110	85
Great Northern	12,855	8,431	12,698	5,189	4,236
Green Bay & Western	535	425	550	1,014	695
Lake Superior & Ishpeming	291	207	266	56	37
Minneapolis & St. Louis	2,355	1,490	2,444	2,459	1,691
Minn., St. Paul & S. S. M.	5,841	4,197	6,148	3,491	2,764
Northern Pacific	10,875	7,437	11,140	5,643	3,561
Spokane International	148	63	83	596	382
Spokane, Portland & Seattle	2,461	1,265	2,302	3,028	2,784
Total	92,317	66,969	98,261	67,820	52,764
Central Western District—					
Atch., Top. & Santa Fe System	22,729	19,216	23,048	13,163	10,872
Alton	3,308	3,095	3,687	3,851	4,010
Bingham & Garfield	624	472	434	105	105
Chicago, Burlington & Quincy	22,087	15,898	18,578	12,378	9,608
Chicago & Illinois Midland	2,790	2,920	3,110	1,114	822
Chicago, Rock Island & Pacific	12,118	10,319	13,289	12,897	12,184
Chicago & Eastern Illinois	2,887	2,184	2,968	6,293	4,997
Colorado & Southern	782	668	841	2,029	1,784
Denver & Rio Grande Western	3,774	3,632	3,574	7,238	4,347
Denver & Salt Lake	879	787	834	11	5
Fort Worth & Denver City	938	978	1,178	1,625	1,204
Illinois Terminal	2,260	1,555	2,041	1,893	1,613
Missouri-Illinois	960	817	1,118	492	518
Nevada Northern	1,793	1,914	1,934	119	106
North Western Pacific	790	731	1,066	798	443
Peoria & Pekin Union	48	17	20	0	0
Southern Pacific (Pacific)	29,234	22,042	27,346	13,796	10,638
Toledo, Peoria & Western	473	369	214	1,914	1,447
Union Pacific System	16,973	12,741	16,273	17,147	12,612
Utah	707	591	735	4	2
Western Pacific	1,881	1,784	2,120	4,765	2,544
Total	128,035	102,730	124,408	101,632	79,861
Southwestern District—					
Burlington-Rock Island	206	862	182	331	213
Gulf Coast Lines	7,144	6,121	4,670	2,253	2,521
International-Great Northern	1,980	3,311	2,303	3,788	3,495
Kansas, Oklahoma & Gulf	243	373	338	1,023	892
Kansas City Southern	5,130	4,768	3,621	2,316	2,422
Louisiana & Arkansas	3,278	3,480	2,325	2,529	2,104
Litchfield & Madison	293	219	439	1,174	967
Midland Valley	856	571	603	540	225
Missouri & Arkansas	178	116	203	456	379
Missouri-Kansas-Texas Lines	5,567	5,072	4,802	5,004	5,835
Missouri Pacific	17,167	14,550	17,910	20,118	16,972
Quanah Acme & Pacific	94	71	137	393	211
St. Louis-San Francisco	8,629	7,838	9,597	9,527	7,378
St. Louis Southwestern	3,082	3,123	3,507	6,722	5,936
Texas & New Orleans	13,067	10,823	8,129	5,095	4,953
Texas & Pacific	4,902	3,701	4,158	7,167	6,815
Wichita Falls & Southern	83	94	109	63	38
Weatherford M. W. & N. W.	17	20	49	29	20
Total	71,916	65,113	63,082	68.528	61,376

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1943—Week Ended	Orders Received Tone	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
Oct. 2	164,954	152,479	579,800	97	93
Oct. 9	156,808	148,574	589,417	94	93
Oct. 16	156,044	148,293	595,257	95	93
Oct. 23	144,254	147,883	588,399	94	93
Oct. 30	144,413	143,686	587,324	93	93
Nov. 6	172,441	147,467	608,782	93	93
Nov. 13	153,126	149,295	608,893	95	93
Nov. 20	126,726	146,286	587,715	94	93
Nov. 27	134,959	142,136	578,434	91	93
Dec. 4	177,664	149,803	602,789	95	93
Dec. 11	146,662	148,826	600,323	96	93
Dec. 18	139,654	148,431	589,659	96	93
Dec. 25	119,487	136,120	569,689	87	93
1944—					
Jan. 1	121,212	92,328	589,815	63	93
Jan. 8	160,567	138,381	612,043	86	86
Jan. 15	153,097	146,596	614,215	93	90
Jan. 22	131,940	140,457	602,930	93	91

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Drafting Of Chemists May Prolong War, Dr. Midgley Warns

Drafting of chemists and chemical engineers needed in industry threatens to prolong the war, Dr. Thomas Midgley, Jr., President of the American Chemical Society, declares in a message to the Society's 40,000 members warning against the depletion of the nation's production army. Prolongation of the reconversion period at the end of the war is foreseen by Dr. Midgley if the number of technical students in the colleges and universities continues to dwindle.

"There are already alarming indications that chemical production is declining as a result of the serious losses of chemical technical personnel," Dr. Midgley says. "Furthermore, unless the war ends suddenly, we face the strong possibility that we will enter the postwar period hopelessly short of young chemists and chemical engineers, for it seems more than likely that Selective Service will reduce the number now in training in our colleges and universities to a bare skeleton force." He adds:

"I am firmly convinced that no better way to assure unnecessary delay in winning the war could be devised. In the post-war period we will likewise feel the lack of adequate technical personnel; tragic results will inevitably follow if the reconversion period is prolonged because of a dearth of chemists and chemical engineers. We have insisted in the past and will continue to insist in the future that chemists, chemical engineers, bona fide undergraduate students, graduate students, and chemical operators should be granted occupational deferments."

The American Chemical Society, Dr. Midgley explains, is one of a select group which enjoys a national charter. "Under that charter," he says, "one of its duties is to assist and advise in matters of national defense. For this reason the Society's officers have unhesitatingly and unswervingly insisted that there shall be no depletion of America's Production Army through drafting of chemists and chemical engineers.

"As the demand of the armed forces for men increases, the problem of retaining in essential industry such men, as well as chemical operators, becomes increasingly difficult. We must not relax our efforts to convince those in authority that such individuals belong to the Production Army, where their special training and abilities are utilized to the fullest possible extent, rather than in the Combat Army."

Lumber Movement—Week Ended January 22, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 466 mills reporting to the National Lumber Trade Barometer were 9.8% above production for the week ended Jan. 22, 1944. In the same week new orders of these mills were 7.9% greater than production. Unfilled order files of the reporting mills amounted to 104% of stocks. For reporting softwood mills, unfilled orders are equivalent to 38 days' production at the current rate, and gross stocks are equivalent to 33 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 5.2%; orders by 12.0%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 63.4% greater; shipments were 60.9% greater; and orders were 35.5% greater.

Federal Reserve December Business Indexes

The Board of Governors of the Federal Reserve System issued on Jan. 26 its monthly indexes of industrial production, factory employment and payrolls, etc. At the same time, the Board made available its customary summary of general business conditions. The indexes for December, together with comparisons for a month and a year ago, are as follows:

BUSINESS INDEXES

1935-39 average = 100 for industrial production and freight-car loadings;
1939=100 for factory employment and payrolls;
1923-25 average = 100 for all other series

	Adjusted for Seasonal Variation			Without Seasonal Adjustment			Annual Indexes	
	Dec. 1943	Nov. 1943	Dec. 1942	Dec. 1943	Nov. 1943	Dec. 1942	1943	1942
Industrial production—								
Total	*245	247	223	*243	247	221	*239	199
Manufactures—								
Total	*264	268	240	*263	268	239	*258	212
Durable	*374	377	328	*373	377	327	*361	279
Nondurable	*175	179	169	*174	180	168	*176	158
Minerals	*139	133	127	*132	131	119	*132	129
Construction contracts, value—								
Total	*66	60	175	*53	53	139	*69	166
Residential	*39	37	91	*33	35	77	*40	82
All other	*87	78	243	*68	67	190	*92	235
Factory employment—								
Total	*169.4	170.7	164.2	*169.7	170.7	164.5	*168.7	152.3
Durable goods	*233.0	233.5	215.5	*233.0	233.6	215.5	*227.8	191.5
Nondurable goods	*119.2	121.2	123.7	*119.8	121.2	124.3	*122.1	121.4
Factory payrolls—								
Total	---	---	---	†	336.2	287.9	†	242.3
Durable goods	---	---	---	†	473.9	391.6	†	321.3
Nondurable goods	---	---	---	†	201.4	186.4	†	164.9
Freight-car loadings	144	139	135	133	142	126	137	138
Department store sales, value	*129	158	125	*229	180	222	*138	124
Department store stocks, value	†	98	101	†	113	95	†	118

*Preliminary or estimated. †Data not yet available.

Note—Production, carloadings, and department store sales indexes based on daily averages. To convert durable manufactures, non-durable manufactures and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, non-durable by .469, and minerals by .152.

Construction contract indexes based on three-month moving averages, centered at second month, of F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in the Federal Reserve Chart Book, multiply total by $410,269,000, residential by $184,137,000, and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics.

INDUSTRIAL PRODUCTION

(1935-39 average = 100)

	Adjusted for Seasonal Variation			Without Seasonal Adjustment			Annual Indexes	
Manufactures—	Dec. 1943	Nov. 1943	Dec. 1942	Dec. 1943	Nov. 1943	Dec. 1942	1943	1942
Iron and steel	199	209	200	199	209	200	207	199
Pig iron	198	200	197	198	200	197	198	193
Steel	221	235	221	221	235	221	232	218
Open hearth	176	184	179	176	184	179	184	179
Electric	536	592	523	536	592	523	576	495
Machinery	*463	463	407	*463	463	407	*444	340
Transportation equipment	*784	785	630	*784	785	630	*737	464
Non-ferrous metals & products	†	304	242	†	304	243	*273	214
Lumber and products	*136	136	130	*126	133	120	*129	134
Lumber	*129	127	122	*112	124	106	*119	130
Furniture	*152	152	146	*152	152	146	*149	142
Stone, clay, & glass products	*168	168	173	*171	172	169	*173	168
Plate glass	55	54	35	55	54	35	*44	37
Cement	†	98	171	†	105	156	*128	171
Clay products	*126	124	144	*131	129	149	*134	154
Gypsum and plaster products	*196	196	191	*199	198	194	*199	186
Abrasive and asbestos products	*325	329	293	*325	329	293	*319	236
Textiles and products	*147	152	157	*147	152	157	*154	157
Cotton consumption	142	153	163	142	153	163	159	171
Rayon deliveries	*189	191	178	*189	191	178	*183	173
Wool textiles	†	153	163	†	153	163	*156	156
Leather products	*106	104	117	*108	106	116	*114	122
Tanning	†	99	126	†	102	125	*115	128
Cattle hide leathers	†	101	141	†	105	141	*121	143
Calf and kip leathers	†	67	93	†	69	91	*85	92
Goat and kid leathers	†	92	84	†	89	85	*89	96
Sheep and lamb leathers	†	148	154	†	157	146	*167	150
Shoes	*112	109	110	*112	109	110	*114	119
Manufactured food products	*147	149	143	*143	150	139	*142	134
Wheat flour	*132	128	120	*130	129	118	*116	107
Meat packing	*167	185	156	*199	206	186	*164	148
Other manufactured foods	*148	145	144	*145	151	142	*142	134
Processed fruits and vegetables	*125	121	122	*97	111	95	118	126
Tobacco products	†	148	146	†	151	137	*133	131
Cigars	†	101	154	†	101	154	*99	119
Cigarettes	†	186	160	†	190	147	*164	150
Other tobacco products	†	100	94	†	103	83	*89	94
Paper and products	†	140	133	†	140	132	*140	142
Paperboard	135	151	134	135	151	134	147	141
Newsprint production	†	86	100	†	87	98	*89	105
Printing and publishing	*105	106	111	*108	110	114	*111	115
Newsprint consumption	89	90	103	93	98	108	99	103
Petroleum and coal products	*216	213	156	*216	213	156	*185	147
Petroleum refining	*223	220	155	*223	220	155	*188	144
Gasoline	*128	123	104	*128	123	104	*111	110
Fuel oil	†	159	137	†	159	137	*145	129
Lubricating oil	†	137	113	†	137	112	*121	121
Kerosene	†	117	99	†	120	102	*116	109
Coke	*173	163	166	*173	163	166	*167	164
Byproduct	*163	155	156	*163	155	156	*157	154
Beehive	*536	462	501	*536	462	501	*495	513
Chemicals	*372	390	344	*373	392	346	*385	278
Rayon	*225	223	196	*225	223	196	*215	185
Industrial chemicals	*398	398	319	*398	398	319	*367	286
Rubber	*247	241	212	*247	241	212	*228	172
Minerals—								
Fuels	*141	134	126	*141	134	126	*133	125
Bituminous coal	*156	131	143	*156	131	143	*147	145
Anthracite	*114	102	105	*114	102	105	*118	117
Crude petroleum	*139	139	121	*139	139	121	*129	118
Metals	*122	123	133	*76	115	79	*125	148
Iron ore	†	*223	223	*48	182	19	*218	229

FREIGHT-CAR LOADINGS

(1935-39 average = 100)

Coal	147	127	132	147	127	132	138	135
Coke	192	186	184	202	186	193	186	181
Grain	153	161	139	144	157	130	146	121
Livestock	122	132	117	118	166	113	117	104
Forest products	154	150	137	138	147	122	141	155
Ore	209	191	189	65	193	59	192	206
Miscellaneous	148	147	144	139	153	135	145	146
Merchandise, l.c.l.	68	67	59	65	68	56	63	69

*Preliminary or estimated. †Data not yet available.

Note—To convert coal and miscellaneous indexes to points in total index, shown in the Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

Condition Of National Banks

The statement of condition of the National banks under the Comptroller's call of Oct. 18, 1943, has just been issued and is summarized below. For purposes of comparison, like details for previous calls back to and including Dec. 31, 1942, are included.

CONDITION OF NATIONAL BANKS IN THE UNITED STATES ON DEC. 31, 1942, JUNE 30, 1943 AND OCT. 18, 1943
[In thousands of dollars]

	Dec. 31, 1942 (5,087 banks)	June 30, 1943 (5,066 banks)	Oct. 18, 1943 (5,058 banks)
ASSETS	$	$	$
Loans and discounts, including overdrafts	10,200,798	9,190,143	10,775,316
U. S. Government securities, direct obligations	22,261,410	28,514,634	
Obligations guaranteed by U. S. Government	1,563,941	1,675,768	35,709,814
Obligations of States and political subdivisions	2,022,493	2,026,333	1,984,169
Other bonds, notes and debentures	1,441,184	1,340,099	1,266,527
Corporate stock, including stock of Federal Reserve banks	193,760	171,744	145,811
Total loans and investments	*37,683,586*	*42,918,721*	*49,881,637*
*Cash, balances with other banks, including reserve balances, and cash items in process of collection	16,250,270	15,227,391	15,423,238
Bank premises owned, furniture and fixtures	580,476	566,697	564,415
Real estate owned other than bank premises	61,060	47,530	40,748
Investments and other assets indirectly representing bank premises or other real estate	51,340	49,285	47,769
Customers' liability on acceptances outstanding	23,294	30,509	34,411
Interest, commissions, rent and other income earned or accrued but not collected	74,926	86,079	107,788
Other assets	56,026	46,140	56,978
*Total assets	54,780,978	58,972,352	66,156,984
LIABILITIES			
Demand deposits of individuals, partnerships and corporations	26,730,691	30,518,146	30,901,323
Time deposits of individuals, partnerships and corporations	8,307,519	8,971,178	9,501,379
Deposits of U. S. Government and postal savings	4,842,182	4,589,354	10,853,187
Deposits of States and political subdivisions	2,695,194	2,900,361	2,603,884
*Deposits of banks	7,401,534	7,156,360	7,313,763
Other deposits (certified and cashiers' checks, etc.)	671,696	633,962	613,519
*Total deposits	50,648,816	54,769,361	61,787,055
**Demand deposits*	*41,970,784*	*45,429,851*	*51,918,952*
Time deposits	*8,678,032*	*9,339,510*	*9,868,103*
Bills payable, rediscounts and other liabilities for borrowed money	3,516	4,231	36,718
Mortgages or other liens on bank premises and other real estate	69	67	66
Acceptances executed by or for account of reporting banks and outstanding	26,008	34,390	37,836
Interest, discount, rent and other income collected but not earned	30,118	25,622	26,442
Interest, taxes and other expenses accrued and unpaid	75,197	98,816	111,884
Other liabilities	258,899	214,460	238,413
*Total liabilities	51,042,623	55,146,947	62,238,414
CAPITAL ACCOUNTS			
Capital stock (see memoranda below)	1,503,682	1,498,008	1,496,455
Surplus	1,438,645	1,474,673	1,510,737
Undivided profits	540,524	584,169	635,839
Reserves (see memoranda below)	255,504	268,555	275,539
Total capital accounts	3,738,355	3,825,405	3,918,570
*Total liabilities and capital accounts	54,780,978	58,972,352	66,156,984
MEMORANDA			
Par value of capital stock:			
Class A preferred stock	133,910	126,199	122,287
Class B preferred stock	12,137	10,877	9,839
Common stock	1,358,794	1,361,604	1,364,937
Total	1,504,841	1,498,680	1,497,063
Retirable value of preferred capital stock:			
Class A preferred stock	†178,014	168,944	164,350
Class B preferred stock	14,085	12,645	11,606
Total	†192,099	181,589	175,956
Pledged assets and securities loaned:			
U. S. Government obligations, direct and guaranteed, pledged to secure deposits and other liabilities	7,610,039	8,887,463	14,613,515
Other assets pledged to secure deposits and other liabilities, includ. notes and bills rediscounted and securities sold under repurchase agreement	507,682	475,922	449,279
Assets pledged to qualify for exercise of fiduciary or corporate powers and for purposes other than to secure liabilities	92,811	94,353	94,679
Securities loaned	10,477	11,603	20,873
Total	8,221,009	9,469,341	15,178,346
Secured liabilities:			
Deposits secured by pledged assets pursuant to requirements of law	7,260,044	†7,171,671	13,075,738
Borrowings secured by pledged assets, including rediscounts and repurchase agreements	3,485	4,075	22,543
Other liabilities secured by pledged assets	510	629	293
Total	7,264,039	†7,176,375	13,098,574
Reciprocal balances with banks in the United States	349,306	327,657	360,484
Demand deposits:			
Deposits of individuals, partnerships and corporations	26,730,691	30,518,146	30,901,323
Deposit of U. S. Government:			
War loan and Series E bond accounts	4,797,494	4,288,862	10,524,185
Other accounts		241,994	239,114
Deposits of States and political subdivisions	2,426,924	2,641,444	2,374,437
*Deposits of banks in the United States (including private banks and American branches of foreign banks)	6,945,106	6,693,266	6,856,696
Deposits of banks in foreign countries (including balances of foreign branches of other American banks, but excluding amounts due to own foreign branches)	398,873	412,177	409,678
Certified and cashiers' checks (including dividend checks), letters of credit and travelers' checks sold for cash and amounts due to Federal Reserve banks (transit account)	671,696	633,962	613,519
*Total demand deposits	41,970,784	45,429,851	51,918,952
Time deposits:			
Deposits of individuals, partnerships, and corporations	8,307,519	8,971,178	9,501,379
Deposits of U. S. Government	35,615	51,580	83,754
Postal savings deposits	9,073	6,918	6,134
Deposits of States and political subdivisions	268,270	258,917	229,447
Deposits of banks in the United States (including private banks and American branches of foreign banks)	53,504	46,866	43,336
Deposits of banks in foreign countries (including balances of foreign branches of other American banks, but excluding amounts due to own foreign branches)	4,051	4,051	4,053
Total time deposits	8,678,032	9,339,510	9,868,103
Ratio of required reserves to net demand plus time deposits:			
Total, Central Reserve city banks	19.31%	19.17%	19.10%
Total, Reserve city banks	17.37%	17.28%	17.14%
Total, Country banks	11.14%	11.18%	11.17%
Total, all member National banks	16.06%	15.79%	15.63%

*Excludes reciprocal interbank demand balances with banks in the United States, the amounts of which are shown under the "Memoranda" above. †Revised.

Venezuelan President Visits United States

Gen. Isaias Medina-Angarita, President of Venezuela, was the guest of President Roosevelt at the White House on Jan. 19 on an official visit to the United States.

The Venezuelan President arrived in Washington by plane from Miami and was met by Secretary of State Hull. He later was received by Vice-President Wallace and members of the Presitential Cabinet.

In a statement, Gen. Medina expressed "the fervent wishes of the Venezuelan people for a prompt and decisive victory of the United Nations, followed by a definte peace which will preclude forever the return of aggression and of any dominance based on force and thus assure to humanity the blessings of an orderly and prosperous life."

On Jan. 20 the Venezuelan Chief Executive visted the Senate and House and made brief addresses in Spanish.

After a tour of several cities, including New York, Philadelphia and New Orleans, he will conclude his stay in this country.

Items About Banks, Trust Companies

Howell T. Manson, former President of the Dollar Savings Bank, Bronx, N. Y., died on Jan. 17 at his home in New Rochelle. He was 68 years old. Mr. Manson served as head of the bank from 1925 until July, 1941, when he was made Chairman of the Board. At his death he was a Trustee of the bank.

S. Sloan Colt, President of Bankers Trust Company of New York, announced on Feb. 1 the election of Ward Melville, President of the Melville Shoe Corp., as a member of the Board of Directors, at a meeting of the board held that day. The advices from the Bankers Trust state:

"Besides the active direction of his own company, which operates 556 John Ward and Tom McAn stores as far west as Salt Lake City, Mr. Melville has served for last five years, first, as Chairman of the Board, and latterly as President of Institute of Distribution, an association whose membership comprises virtually all of the large non-grocery chain store operators. He is largely credited with supplying the leadership which has been responsible for a vast improvement in the chains' public relations in recent years.

"Mr. Melville is a director of R. H. Macy & Co., Macy's Bank, and the J. F. McElwain Co., manufacturers of Thom McAn shoes, as well as a trustee of the Bowery Savings Bank and of Columbia University. He was graduated from Columbia in 1909 and went immediately into the retail shoe business, being successively salesman, manager, buyer and advertising director of the John Ward Stores. In 1918, after serving as Captain in the Quartermasters Corps of the Army, he was elected Vice-President of the Melville Shoe Corp., which post he filled until April, 1930, when he became President, succeeding his father, founder of the business."

At a meeting of the Board of Directors of Bankers Trust Company of New York on Feb. 1, G. H. Brewer, formerly a Trust Officer, was elected to the position of Investment Officer, and R. V. Voorhees was elected Credit-Investment Officer.

Stockholders of the Pilgrim Trust Co., Boston, are being offered the right to buy at $150 per share one additional share for each five shares now held. The "Boston News Bureau" of Jan. 22 reporting this said: "Of the $150,000 new capital funds to be raised through this offer, $100,000 will be added to capital and $50,000 to surplus, making each $600,000."

Harry B. MacDonald, Exexcutive Vice-President of the Plainfield (N. J.) Savings Bank, was recently elected President of the institution, succeeding Louis K. Hyde, who retired. A. W. Hutchinson, Secretary-Treasurer, succeeds Mr. Hyde as a member of the board, and A. R. Walker was elected a new Vice-President. F. M. Turner, a teller, was made Assistant Treasurer, and Miss Caroline Dorman, also a teller, was made Assistant Secretary.

Surplus account of the Union Bank of Commerce of Cleveland, Ohio, was increased to $3,000,000 on Jan. 27, when directors authorized the transfer of $892,2000 from undivided profits to surplus. The surplus addition now gives the bank capital and surplus of $7,000,000.

Ralph C. Gifford, President of the First National Bank and the Kentucky Title Trust Co., both of Louisville, has become Chairman of the Boards of these institutions. Mr. Gifford's former posts have been assumed by J. McFerran Barr, who becomes President of the First National, and by Henry Y. Offutt, who was made President of the Kentucky Title. The Louisville "Courier Journal" reporting this said: "Each of these two men will continue as Vice-President of the institution headed by the other. Henry D. Ormsby simultaneously was promoted from assistant Vice President to Vice President of the First National Bank."

Sale of the controlling interest in the First National Bank of Key West., Fla., by William P. Porter, President, to the Florida National group of banks has been announced by Julius F. Stone, Jr., who handled the negotiations, said Associated Press advices from Key West, published in the New York "Times," which further stated:

"Mr. Stone said a 'comfortable working majority' of the stock was obtained by the Florida group. The price paid was not revealed. At the close of business Jan. 27 the bank had deposits in excess of $5,400,000, with capital surplus and undivided profits of $268,000.

"The Florida National group is owned by the estate of the late Alfred I. du Pont, who came to Florida in 1926 after retiring from business in Wilmington, Del. The group now operates 14 banking institutions. The combined statement issued Dec 31, 1943, showed aggregate deposits of $199,000,000, with total resources in excess of $212,000,000."

Total assets of the Bank of Nova Scotia (head office Halifax) were at a record high level of $493,195,832 on Dec. 31, 1943, an increase of more than $82,000,000 during the year, according to the bank's 112th annual statement released on Jan. 26. Deposits totaling $426,753,927 showed a gain of more than $81,000,000, and the investment account was up $49,000,000. Net earnings of the bank for 1943 amounted to $1,717,961, after taxes of $1,542,488, compared with earnings of $1,860,262 in 1942, after taxes of $1,357,773. Cash, clearings and amounts due from other banks at $116,067,431, represented 25.46% of liabilities to the public. Total quick assets (including the above items) together with investments and call and short loans secured by stocks and bonds, represented 73.53% of the liabilities to the public, compared with 68.10% last year. Investments amounted to $210,386,369, an increase of approximately $49,000,000 during the year. Short-term Dominion and Provincial securities represented 53% of all investments and the total of both short and long term Dominion and Provincial securities represented 89%. Call loans, at $8,740,568, were up approxixmaxtely $4,000,000. Other loans, totaling $126,389,377, were practically unchanged. Loans to Provincial and Municipal governments were down $614,141, and non-current loans, amounting to $301,680, were down $31,621. Liabilities of customers under acceptances and letters of credit were $23,738,260, a gain of approximately $2,500,000 in the year. Notes in circulation, amounting to $3,885,921, were down $1,147,295 in accordance with Bank Act requirements. Total deposits of $426,753,927 were up $1,152,375. Of this total, non-interest-bearing deposits of the public, at $155,829,700, increased $25,242,137. Interest-bearing deposits of the public, totaling $210,470,366, were up approximately $30,000,000 from a year ago, despite substantial withdrawals made during the year for two Victory Loan campaigns. Deposits of Dominion and Provincial governments, at $50,612,269, increased $24,021,423.

The net profits of the Westminster Bank, Ltd., of London, for the past year, after providing for rebate and taxation, and after appropriations to the credit of Contingency Accounts, out of which accounts full provision for Bad and Doubtful Debts has been made, amount to £1,347,815. This sum, added to £524,487 brought forward from 1942, leaves available the sum of £1,872,302. The bank advices also state:

"The dividends of 9% paid in August last on the £4 shares and 6¼% on the stock absorb £388,481. A further dividend of 9% is now declared in respect of the £4 shares, making 18% for the year; and a further dividend of 6¼% on the stock will be paid, making the maximum of 12½% for the year.

"The dividends will be payable (less income tax) on the 1st February to those shareholders and stockholders whose names were registered in the books of the company on 31st December last.

"£250,000 has been transferred to bank premises reinstatement and rebuilding account and £300,000 to officers' pension fund, leaving a balance of £545,340 to be carried forward."

Sweden Ups Holdings Of Gold, Foreign Exchange

Record Note Circulation At End of Year

Sweden continued to strengthen her defense in all its branches. The cost was to a large extent covered by loans, which increased the public indebtedness.

Riksbank holdings of gold and foreign exchange rose by 300,000,000 kronor during the year. The note circulation grew with about 13%, being close to 2,270,000,000 kronor (about $567,500,000) at the end of 1943. This figure sets a new high record. The current note circulation corresponds to 16% of the national income, which is now estimated at about 14,000,000,000 kronor (about $3,500,000,000). — (See "Sweden—A Wartime Survey," Chapter 17, "The Money Market," by Klas Book, Head of Statistical Department, Bank of Sweden.)

Stability of Living Costs and Wholesale Prices

Private incomes increased about 8%. Deposits in commercial banks and savings banks were about 10% greater than at the end of 1942. One of the most important features of the economic development in 1943 was the stability of the living costs and of the wholesale prices. Thus the cost-of-living index compiled by the Social Welfare Board, which is based on the 1935 prices as 100, increased only one point between October, 1942, and Jan. 1, 1944, or from 153 to 154. The index based on the 1914 prices remained unchanged at 239.

N. Y. Finance Institute Announces Spring Term

The New York Institute of Finance, 20 Broad St., New York City, announces the schedule of courses being offered for the spring term, which begins Jan. 31. The sessions will be divided into three general groups: general business, investment analysis, and brokerage procedure.

The general business courses offered are:

Accounting Principles I and II; instructor: Jerome J. Kern of the New York Stock Exchange.

Federal Income Tax Practice I and II (two terms)—Chas. Meyer, C. P. A. and Attorney; lecturer on Law of Taxation, Rutgers University.

Preparation of Federal Tax Return—Mr. Meyer.

Foreign Funds Control — Irwin A. Brodsky of J. & W. Seligman & Co.

Interest Yields and Basis Prices —F. Warren Green, Hallgarten & Co.

Investment Analysis Courses:

Security Analysis I and II—Herman J. Borneman, New York Stock Exchange, and Stephen M. Jaquith, President of Investors Counsel, Inc.

Investment Account Management—Mr. Jaquith.

Analysis of Public Utility Operating Companies — Theron W. Locke, Granbery, Marache & Lord.

Public Utility Break-Up Values —Harold H. Young, Bear, Stearns & Co.

Marginal Rails — Herbert F. Wyeth, Shields & Co.

Receivership Rails—Patrick B. McGinnis, Pflugfelder, Bampton & Rust.

Brokerage Procedure Courses:

Work of the Stock Exchange and Brokerage Office Procedure —John H. Schwieger, New York Stock Exchange.

Advanced Margin Problems—Paul C. Fitzgerald, Hirsch, Lilienthal & Co.

Advanced Stock Transfer Taxes —Irwin A. Brodsky, J. & W. Seligman & Co.

Transfer of Securities — Mr. Brodsky.

Work of the Cashier's Department—George E. Rieber, National Association of Securities Dealers.

Work of the Margin Department—Mr. Fitzgerald.

Work of the Order Department —Fred W. Hansen, Pershing & Co.

Work of the P. & S. Department —F. Warren Green, Hallgarten & Co.

Work of the Trading Department — Fred Barton, Eastman, Dillon & Co.

Brainard Again Heads Cleveland Reserve Bk.

George C. Brainard, President of the General Fireproofing Co. of Youngstown, O., has been reappointed Chairman of the Board of Directors of the Federal Reserve Bank of Cleveland, and Reynold E. Klages, President of the Columbus Auto Parts Co. of Columbus, O., has been reappointed Deputy Chairman, it was announced by the Board of Governors of the Federal Reserve System at Washington.

The Board of Directors simultaneously announced reappointment of the Board Chairmen and two directors each of the Cincinnati and Pittsburgh Branches, and of B. G. Huntington, President of the Huntington National Bank of Columbus, as representative of the Fourth Federal Reserve District on the Federal Advisory Council.

Mr. Brainard also was reappointed Class C director for the three-year term which began Jan. 1, 1944, and was again designated Federal Reserve Agent for the current year. He became a Director July 31, 1936, and has been Chairman since Jan. 1, 1939.

Mr. Klages, whose term as Class C director will expire Dec. 31, 1945, first was appointed to the board Jan. 7, 1937, and became Deputy Chairman Jan. 1, 1939.

Chairman Robert E. Doherty of the Pittsburgh board and Chairman Francis H. Bird of the Cincinnati board, both of whose terms expired Dec. 31, were reappointed directors and chairmen of their respective boards. Mr. Doherty is President of the Carnegie Institute of Technology and Mr. Bird is Professor of Commerce at the University of Cincinnati.

Four branch directors whose terms also expired Dec. 31 were reappointed for two-year terms. They are:

Clarence Stanley, President of the Union Trust Co. of Pittsburgh, and Archie J. McFarland, President of the Wheeling Steel Corp., both of the Pittsburgh Branch, and Frederick V. Geier, President of the Cincinnati Milling Machine Co., and Buckner Woodford, Vice President and cashier of the Bourbon-Agricultural Bank & Trust Co. of Paris, Ky., both of the Cincinnati Branch.

In reappointing Mr. Stanley the Board relaxed its rule that no branch director may serve more than six years consecutively, asserting that war-time exigencies make desirable the retention of men of experience and proven capacity. The same reason was given for the retention of Mr. Huntington, who has served four consecutive terms.

Reserves Necessary for Post-War Conversion Says William S. Jack

William S. Jack, President of Jack & Heintz, Inc., of Cleveland, Ohio, in an extemporaneous address at the Advertising Club in New York City on Jan. 26, charged that the Roosevelt Administration "hasn't recognized its obligation to see to it that industry has something left for post-war conversion."

In an extemporaneous address at the Advertising Club in New York City on Jan. 23.

He asserted that industry would be "crippled" after the war if it was not allowed to earmark for post-war conversion money that is being made currently. He said that he could see danger signs ahead, because "the Government has mortgaged practically all industry today."

"Frankly, I am afraid of socialized industry," he said. "I'm afraid of the men coming back who don't want to be mortgagees of the Government. I'm afraid of tomorrow."

Questioned after the meeting on estimates made by the Under-Secretary of War Robert P. Patterson that industry will have $42,000,000,000 in post-war reserves at the end of this year, Mr. Jack challenged this figure as "without foundation." He declared he knew of no company that was able to put away anything like the required reserve.

Program Completed For ABA Conference

Completion of the program for the 25th annual Mid-Winter Trust Conference, which will be held by the Trust Division of the American Bankers Association in New York City, Feb. 8-9-10, was announced in New York on Jan. 13 by Henry A. Theis, President of the Division. Mr. Theis is Vice-President of the Guaranty Trust Company of New York. Five morning and afternoon sessions will be held at which addresses by experts in the fields of trust business and banking, panel discussions, and brief reports by the chairmen of the division's various committees, will be featured.

Among the speakers are A. L. M. Wiggins, President of the ABA; Joseph Henderson, President of the American Bar Association; Rollin Browne, Commissioner of Taxation and Finance of the State of New York; Elmo Roper, market analyst, and Gilbert T. Stephenson, Director of Trust Research of The Graduate School of Banking. Leon Fraser, President of The First National Bank of New York, who is Chairman of the Clearing House Committee of the New York Clearing House Association, will present greetings to the attending delegates at a luncheon to be held for them by the New York Clearing House Association on Feb. 10, the closing day of the conference. Captain Maurice M. Witherspoon, U. S. N., Chaplain of the Third Naval District, will deliver an address at the luncheon meeting.

The sessions of the conference will be held at The Waldorf-Astoria Hotel. An earlier reference to the conference appeared in our issue of Dec. 23, page 2542.